
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 1-14696

China Mobile Limited

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

Hong Kong, China

(Jurisdiction of Incorporation or Organization)

**60th Floor, The Center
99 Queen's Road Central**

Hong Kong, China

(Address of Principal Executive Offices)

Grace Wong

Company Secretary

China Mobile Limited

60th Floor, The Center

99 Queen's Road Central

Hong Kong, China

Telephone: (852) 3121-8888

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Ordinary shares*	N.A.	New York Stock Exchange

* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares representing the ordinary shares. The American depositary shares are traded under the symbol "CHL" and exempt from registration under Section 12(b) of the Act pursuant to Rule 12a-8 thereunder.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2020, 20,475,482,897 ordinary shares were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or (15) (d) of the Securities Exchange Act of 1934. Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13 (a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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Forward-Looking Statements

This annual report on Form 20-F contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business objectives and strategies, including those relating to the development of our terminal procurement and distribution business;
- our operations and prospects;
- our network expansion and capital expenditure plans;
- the expected impact of any acquisitions or other strategic transactions;
- our provision of services, including fifth generation, or 5G, services, wireline broadband services and services based on technological evolution, and our ability to attract customers to these services;
- the planned development of future generations of mobile technologies, including 5G technologies, and other technologies and related applications;
- the anticipated evolution of the industry chain of 5G and future generations of mobile technologies, including future development in, and availability of, terminals that support our provision of services based on 5G and future generations of mobile technologies, and testing and commercialization of future generations of mobile technologies;
- the expected benefit from our collaboration with China Broadcasting Network Corporation Ltd., or China Broadcasting, with respect to the co-construction and sharing of 5G network;
- the expected benefit from our investment in and any arrangements with China Tower Corporation Limited (or China Tower, formerly known as China Communications Facilities Services Corporation Limited);
- the expected impact of the implementation in the mainland of China of the policy of “speed upgrade and tariff reduction” and the cancellation of roaming tariffs on our business, financial condition and results of operations;
- the expected impact of tariff changes on our business, financial condition and results of operations;
- the potential impact of restrictions, sanctions or other legal or regulatory actions under relevant laws and regulations in various jurisdictions on our telecommunications equipment suppliers and other business partners;
- the potential impact of the outcome of the State Administration for Market Regulation’s investigation on us;
- the impact of the outbreak of the coronavirus disease, or COVID-19, a disease caused by a novel strain of coronavirus, on the PRC economy and our operations and financial performance;
- the impact of Executive Order 13959 signed by the President of the United States and any rules or regulations adopted, guidance issued or actions taken by U.S. regulators to implement or comply with Executive Order 13959, including the ongoing delisting proceedings of our ADSs;
- the impact of the Holding Foreign Companies Accountable Act and any rules or regulations adopted by U.S. regulators to implement such legislation;
- the expected impact of new service offerings on our business, financial condition and results of operations; and
- future developments in the telecommunications industry in the mainland of China, including changes in the regulatory and competitive landscape.

The words “aim,” “anticipate,” “believe,” “could,” “endeavor,” “estimate,” “expect,” “intend,” “may,” “plan,” “seek,” “should,” “strive,” “target,” “will” and similar expressions, as they relate to us, are intended to identify certain of these forward-looking statements. We do not intend to update these forward-looking statements and are under no obligation to do so.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including the risk factors set forth in “Item 3. Key Information — Risk Factors.”

PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

Risk Factors

The following factors, and those factors described in our other reports submitted to, or filed with, the SEC, among other factors, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf, and such factors may have a material adverse effect on our business, financial condition, results of operations and prospects as well as the value of our securities.

Risks Relating to Our Business

The increasing competition from other telecommunications services providers and competitors in related industries and changes in the competitive landscape of the telecommunications industry in the mainland of China may reduce our market share and decrease our profit margin.

We are facing increasing competition from other telecommunications services providers in the mainland of China. Principal participants in the telecommunications industry in the mainland of China include China Telecom Corporation Limited, or China Telecom, China Unicom (Hong Kong) Limited, or China Unicom, China Broadcasting and us. On the one hand, the competition in the delivery of 4G services among China Unicom, China Telecom and us continues to intensify due to market saturation and tariff reduction. On the other hand, with the Ministry of Industry and Information Technology, or the MIIT, granting the basic telecommunications service operating permit for 5G digital cellular mobile service to China Mobile Communications Group Co., Ltd., or CMCC, our parent company, the parent companies of China Telecom and China Unicom, and China Broadcasting on June 6, 2019, the competition with respect to the planning and promotion of 5G development and commercialization is also expected to increase.

The PRC government has extended favorable regulatory policies to our primary competitors in order to help them become more viable competitors to us. With respect to 4G services, while the MIIT granted the respective parent companies of China Telecom, China Unicom and us the permissions to provide 4G services based on the LTE/Time Division Duplex standard, or TD-LTE technology, at the same time, we were only permitted to provide 4G services based on the Frequency-Division Long-Term Evolution standard, or LTE FDD technology and carry out nationwide operation of certain LTE FDD services, including voice services, data services and mobile Internet of Things, or IoT, several years after China Telecom and China Unicom. In terms of 5G services, as compared to the frequency bands allocated to our competitors, those available to us are not widely used in the telecommunications industry and may pose more technical and operational challenges initially. Those asymmetrical and other regulatory measures could adversely affect our competitiveness and increase competition in the PRC telecommunications industry. See “— Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could adversely affect our competitiveness or enhance competition in the telecommunications industry.” Furthermore, China Telecom and China Unicom have also entered into strategic cooperation arrangements to promote resource-sharing in certain aspects of business operations, including the construction of 5G network, which may strengthen their competitiveness in the market, and they could enter into further cooperation in the future. For further information, see “Item 4. Information on the Company — Business Overview — Competition.” Such cooperation may significantly change the competitive landscape of the telecommunications industry in the mainland of China. In addition, our competitors and we have been rolling out 5G tariff plans to attract customers, and some of the plans offered by our competitors may be more attractive to customers than ours. Accordingly, we cannot assure you that we will be able to compete effectively, or that such competition will not materially and adversely affect our business, financial condition and results of operations.

In order to adapt to the market changes and as one of our marketing strategies, we may, from time to time, offer promotion programs to our customers with lowered tariffs, which may negatively impact our revenues and profit margins. In the meantime, our competitors are expanding their network coverage and offering discounts to their tariff plans, which may affect our ability to retain our customers. As a result of the above, we cannot assure you that we will not offer discounts comparable to, or more favorable than, those offered by our competitors or experience increases in churn rates as competition intensifies, which may materially and adversely affect our results of operations and profit margin. Moreover, we cannot assure you that any potential change, and in particular, any further restructuring in the competitive landscape of the telecommunications industry in the mainland of China, would not have a material adverse effect on our business, financial condition and results of operations.

Additionally, the PRC government has adopted regulatory measures to encourage competition in the telecommunications industry, including stringent measures to enforce the PRC Anti-Monopoly Law. Any amendments to the PRC Anti-Monopoly Law or any changes to the PRC anti-unfair competition regime, in particular those on the telecommunications industry, may subject us to more stringent anti-monopoly and anti-unfair competition regulation. As a result of the regulatory measures, the competitive landscape in the PRC telecommunications industry may further diversify, causing more intensified competition.

Moreover, the evolution of telecommunication technologies and services has changed the competitive landscape in the telecommunications industry in the mainland of China. The intensified competition in new products and services arising from technological advances could reduce our tariff, increase our customer acquisition cost and decrease our market share as customers choose to receive telecommunications and related services from other providers. In the meanwhile, the competition from non-traditional telecommunications services providers, such as Internet service providers, mobile software and applications developers and equipment vendors, is also increasing. These new competitors, leveraging on their advantages in new technology and services, compete against us in both voice and data businesses by offering mobile Internet access and Over The Top services, such as instant messaging, Voice over Internet Protocol, or VoIP, services, or audio or video content services delivered over the Internet, and pose challenges to us in retaining existing customers and market position. In addition, the strategic cooperation between Internet service providers and telecommunications operators is reshaping the competition in the telecommunications market. See “— Changes in the technologies and business models of the telecommunications industry may render our current technologies and business model obsolete, and we may encounter difficulties and challenges in developing and implementing new technologies and services.”

Furthermore, the PRC government has implemented a number of measures that permit certain operators approved by the MIIT to lease telecommunications infrastructure and repackage mobile services for sale to end-customers. Since May 1, 2018, subject to MIIT’s approval, non-state-owned companies, state-owned companies and foreign invested enterprises are allowed to lease mobile services from China Telecom, China Unicom or us and provide mobile services to end-customers after repackaging these services. As of December 31, 2020, 17 companies had entered into agreements with us for provision of mobile services to end-customers. We face intense competition from these new mobile network operators in light of such policy and decisions by the MIIT. In particular, increased competition may cause tariff to further decline, which could in turn materially and adversely affect our business, financial condition and results of operations.

Our ability to compete effectively will also depend on how successfully we respond to various factors affecting the development of the telecommunications industry in the mainland of China, including changes in consumer preferences and demand for existing and new services. We cannot assure you that the measures we are taking in response to these competitive challenges will achieve the expected results.

Changes in the technologies and business models of the telecommunications industry may render our current technologies and business model obsolete, and we may encounter difficulties and challenges in developing and implementing new technologies and services.

In recent years, the telecommunications industry has been characterized by rapidly changing and increasingly complex technologies. Accordingly, although we strive to keep our technologies up to international standards, the mobile technologies that we currently employ may become obsolete. Moreover, the rapid development in technologies, services, products and business models has also accelerated the convergence of local, long-distance, wireless, cable and Internet communication services, resulted in new competitors entering into the telecommunications market and changed customer behaviors. We are thus required to develop and implement leading technologies, offer innovative services and adjust our business strategies in order to adapt to and maintain our share of the evolving value chain of the telecommunications industry. In order to meet the challenges posed by changes in the technology and business models of the telecommunications industry, we have striven to promote the transition from telecommunications services to information services, from the primarily “Customer” (To C) market to all four CHBN markets (namely, the “customer” market, the “home” market, the “business” market and the “new” market), and from being resource-driven to being innovation-driven. We cannot assure you that the measures we are taking in response to those challenges will achieve the results we desire.

We currently provide certain Internet-related services, including home digital services, mobile payment, digital content and other applications and information services. The development of our Internet-related services depends on our ability to continue to expand and innovate our Internet-related services and take advantage of our strategic cooperation with renowned Internet service providers. However, our competitors, including telecommunications operators, Internet service providers and technology companies, have also been developing the same services, which has increased the competition in this area. If we cannot develop or expand our Internet-related services as we anticipated, or if we develop or expand our Internet-related services at a pace slower than that of our competitors, our Internet-related services may not be as successful and we may not be able to maintain steady growth in our revenue from our Internet-related services.

As the implementation of our business strategies, as well as the development of new businesses, such as Mobile Internet, IoT, Information and Communication Technology, or ICT, Cloud Computing and Big Data, require significant time, financial and other resources and involve substantial risks, we may not be able to successfully implement our strategies, launch or develop such new businesses in time, or achieve the expected benefits. We may also encounter unexpected technological difficulties in developing and implementing new technologies and, as a result, may incur substantial costs or services disruptions, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our tariff reduction and future policy developments in the telecommunications industry in relation to tariff reduction may continue to adversely affect our financial conditions.

From time to time, we need to adjust our tariff plans as part of our business strategy and in some cases in accordance with PRC national policies, and such adjustments may have a material adverse impact on our revenue and profitability. The PRC government first introduced the new national policy of “speed upgrade and tariff reduction” in May 2015 and promulgated initiatives in furtherance of such policy every year. In its 2019 work report, the PRC government introduced further “speed upgrade and tariff reduction” measures, including directives to (i) further reduce the broadband tariffs for small and medium enterprises by 15% on average and the tariffs for handset data by no less than 20% on average, and (ii) implement mobile number portability programs, which allow customers to switch mobile carriers while retaining their numbers, in the mainland of China by the end of 2019. The PRC government further required (i) in its 2020 work report, a 15% reduction in the average broadband and dedicated line tariff and (ii) in its 2021 work report, a 10% reduction in the average broadband and dedicated line tariff for small and medium enterprises.

Since May 2015, in response to the expectations of the general public and customers and in order to implement the said national policy, we have, in addition to continuous enhancement of network capacity and increase of network speed, took a series of tariff reduction measures, including but not limited to the launch of an unused data traffic carry-over program for our mobile monthly plans in October 2015, which allows the customers to carry over their monthly plan’s remaining unused data traffic to the following month, preferential Internet dedicated line tariffs for small and medium enterprises since May 2017, cancellation of all handset domestic long-distance and roaming tariffs since September 2017 and cancellation of tariffs for domestic data roaming since July 2018. In 2019, we reduced the broadband tariffs for small and medium enterprises by 39% and the tariffs for handset data by 47% in the aggregate. In 2020, we continued to implement the “speed upgrade and tariff reduction” policy and launched more preferential tariff plans that reduced the tariffs for handset data by 27.1% in the aggregate. See “Item 4. Information on the Company — Business Overview — Tariffs” for further information.

Such measures have asserted pressure on the growth of revenue from data services, which in turn had a negative impact on our overall revenue and profitability. As we might be required to further adjust our tariffs or take other initiatives under the “speed upgrade and tariff reduction” policy or other similar policies to be issued by the PRC government in the future, we cannot assure you that our financial condition and results of operations would not be materially and adversely affected by these policies.

We may encounter difficulties and challenges in the commercialization of 5G technologies.

We have been actively engaged in 5G-related research and development, or R&D, activities and commercialization of such technologies. We are also involved in setting 5G technological standards. See “Item 4. Information on the Company — Business Overview — Research and Development — Setting Technical Standards and Promoting Industry Development for 5G Commercialization.” In June 2019, the MIIT granted the operating permit for 5G digital cellular mobile service to the respective parent companies of China Telecom, China Unicom and us and China Broadcasting. Since then, exploring business models that will realize the commercial potentials of 5G technologies became the core of our 5G-related work, and we have been working together with various industry players in planning and promoting 5G development and driving the optimization of standards, advancements in devices, enrichment of applications and construction of the ecosystem in respect of 5G. We began providing 5G services in November 2019.

Delivery and expansion of our commercial 5G services require us to devote financial and operational resources, and we have made and expect to continue to make substantial investments in the construction of the infrastructure of our 5G network. However, there exist significant uncertainties in market reception of our 5G services, competitive landscape, the amount of time and financial and operational resources needed to improve technologies and to acquire the requisite knowhow, the capital expenditures needed to construct the necessary infrastructure, our suppliers’ ability to manufacture equipment and devices supporting the infrastructure of 5G system as well as future expansion of 5G technologies in the vertical industries. In particular, to enhance our competitive position in the 5G market, we may offer tariff promotions to attract and retain customers, which may affect our profitability and results of operations. Moreover, the PRC government may require reduction in the tariffs of our 5G services. See “ — Our tariff reduction and future policy developments in the telecommunications industry in relation to tariff reduction may continue to adversely affect our financial conditions.” Therefore, we cannot assure you that we will be able to expand and profit from our 5G services.

In addition, our primary competitors tend to benefit from certain asymmetrical regulatory measures in connection with frequency band allocation. See “ — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could adversely affect our competitiveness or enhance competition in the telecommunications industry.” Consequently, those available to us are not widely used in the telecommunications industry and may pose more technical and operational challenges to us in the initial stages of rendering 5G services. Therefore, as compared to our competitors, we may not be in the best position to compete effectively against them. Meanwhile, we are in the process of making technical adjustments to our existing network and reallocating certain frequency bands previously used for 4G services to 5G services. Any significant delay in such reallocation among our own networks could add time pressure on or cause additional costs in the commercialization of 5G technologies and our 4G services may also be temporarily discontinued in certain areas or otherwise disrupted during such transition. Further, China Telecom collaborated with China United Network Communications Corporation Limited, or CUCL, a wholly-owned subsidiary of China Unicom, in 2019, and rolled out 5G network co-building and co-sharing, which enables them to leverage on their mutually complementary network and spectrum resources to save costs on network construction, operation and maintenance. Such collaboration may further change the competitive landscape of the telecommunications industry in the mainland of China and adversely affect our business, financial condition and results of operations.

If we are unable to provide 5G services in a commercially viable manner or the business models for our 5G services fail to deliver desirable results, the expected benefits from our significant investment in the R&D and commercialization of 5G technologies and relevant infrastructure construction would not be fully realized or if at all, which in turn could materially and adversely affect our business, financial conditions and results of operations.

Transactions in and holdings of our ordinary shares and ADSs by U.S. persons beyond specified dates are prohibited, and the continued listing of our ADSs are subject to significant uncertainty.

On November 12, 2020, the President of the United States signed Executive Order 13959 (as subsequently amended on January 13, 2021, the “Executive Order”) to (i) prohibit (the “Prohibitions”) any transaction by any U.S. person, subject to certain divestiture and other exemptions, in publicly traded securities, or any securities that are derivative of, or are designed to provide investment exposure to such securities, of certain Chinese companies (each, a “Restricted Company”), (ii) prohibit possession of the foregoing securities by a U.S. person after November 11, 2021 and (iii) authorize the United States Secretary of the Treasury to publicly list an entity as a Restricted Company, with respect to which the Prohibitions shall take effect on the date that is 60 days after such listing. The United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) maintains a list of companies identified as a Restricted Company (the “Restricted List”) and, on January 8, 2021, added the Company to the Restricted List. According to guidance issued by OFAC (available at https://home.treasury.gov/system/files/126/ccmc_g11a_01272021_1.pdf), the Prohibitions with respect to the Company took effect on March 9, 2021, 60 days after the Company was added to the Restricted List.

In addition, on December 31, 2020, the New York Stock Exchange (the “NYSE”) announced that it had determined to commence proceedings to delist our ADSs on the basis that we were no longer suitable for listing in light of the Executive Order. On January 4, 2021, the NYSE announced that, in light of further consultation with relevant regulatory authorities, the NYSE no longer intended to move forward with the delisting action in relation to our ADSs. On January 6, the NYSE announced that it had determined (the “Determination”) to re-commence proceedings to delist our ADSs to comply with the Executive Order and suspended trading in our ADSs on January 11, 2021. Separately, the Depository Trust & Clearing Corporation’s National Securities Clearing Corporation (“NSCC”) suspended trade capture activities through its Universal Trade Capture (“UTC”) and Continuous Net Settlement (“CNS”) systems for our ADSs after trading ended on January 8, 2021. As a result, our ADSs can no longer be traded in any U.S. market that relies on NSCC’s UTC and CNS systems, including the over-the-counter (“OTC”) markets.

On January 20, 2021, we filed with the NYSE a written request for a review of the Determination by a Committee of the Board of Directors of the NYSE (the “Committee”). The Company requested that the Committee reverse the Determination and stay the trading suspension of the ADSs pending review of the Determination. However, there is no assurance that such request will be successful and that the Committee will reverse its Determination.

If our ADSs are delisted from the NYSE, in light of the evolving situation described above, the organizers of OTC markets in the U.S. likely would also prohibit, or be directed to prohibit, the trading of our ADSs on such markets. Subject to the terms of the deposit agreement entered into among the Company, the Bank of New York Mellon, and holders and beneficial owners of ADSs from time to time, holders of our ADSs may convert the ADSs into our ordinary shares listed on the Hong Kong Stock Exchange but will incur costs in order to do so. See “Item 12. Description of Securities Other than Equity Securities.” for further information. In addition, pursuant to the Executive Order and the latest OFAC guidance, U.S. persons are prohibited from transacting in our ADSs or ordinary shares (subject to certain divestiture and other exemptions) beyond March 9, 2021 and holding our ADSs or ordinary shares beyond January 8, 2022, 365 days after the Company was added to the “Issuer Name” column of the Restricted List. Furthermore, the foregoing events or any further development thereof may adversely affect investor sentiment toward our Company, regardless of our actual operating performance. As a result, the value and liquidity of our securities may be materially and adversely affected.

We may be subject to increased regulatory scrutiny and compliance costs and prices of our securities listed in overseas markets may be subject to increased fluctuations if we conduct a public offering and listing of our shares in the mainland of China.

We will continue monitoring and analyzing the development of laws and regulations in relation to the public offering and listing of shares in the mainland of China. The precise timing and form of the offering and listing of our shares in the mainland of China would depend on a number of factors, including relevant regulatory developments and market conditions. If we complete a public offering in the mainland of China, we would become subject to the applicable laws, rules and regulations governing public companies listed in the mainland of China, in addition to the various laws, rules and regulations that we are currently subject to in Hong Kong and the United States. The listing and trading of our securities in multiple jurisdictions and multiple markets may lead to increased compliance costs for us, and we may face scrutiny by regulatory authorities in these jurisdictions and markets. In addition, such offering and listing, if completed, like any other issuance of equity securities, will result in dilution to our shareholders and may lead to increased volatility in, or may otherwise materially and adversely affect, the prices of our securities listed in overseas markets.

We are subject to risks associated with our suppliers, business partners and other stakeholders in the supply chain of semiconductor and telecommunications industry, which could be adversely affected by restrictions, sanctions or other legal or regulatory actions under relevant laws and regulations in various jurisdictions which in turn could adversely affect the supply chain and our business operations.

We procure our telecommunications network equipment, related maintenance and technical support and other equipment and service from certain PRC and overseas suppliers. See “Item 4. Information on the Company — Business Overview — Mobile Networks.” We also transact with our business partners who operate globally. Therefore, both we and our business partners are subject to the laws and regulations in various jurisdictions and international organizations. The relevant jurisdictions or international organizations include, among others, the United States, the European Union (“EU”) and the United Nations. Any restrictions, sanctions or other legal or regulatory actions could cause disruptions or other material difficulties in their business activities to the extent any government of the relevant jurisdictions imposes any restrictions on their import and export activities, or sanctions or other legal or regulatory actions against the suppliers and other business partners in connection with their business activities. Such disruptions could prevent our suppliers from delivering equipment and services to us in accordance with the agreed terms of supply. This could negatively affect our business operations. We may not be able to find suitable alternative suppliers for the affected equipment or services in a timely manner. Even if we are able to find alternative suppliers, the commercial terms may not be comparable, and we could therefore be subject to a higher procuring cost. Furthermore, if any of our suppliers raises their prices due to an increase in international trade tariffs, we could be subject to a higher cost in procuring the relevant products. We may experience a significant delay in implementing the part of our business plans that relies on delivery of the affected equipment and services and difficulties in timely improving our services that rely on those suppliers for upgrading our networks and related software and applications.

Furthermore, the significant disruptions in the supply chain of semiconductor and telecommunications industry may indirectly impact the growth of our Internet services and information and application services. For example, the sanctions against certain mobile phone manufacturers may adversely affect the popularity of and users’ option to upgrade to 5G mobile phones, which could indirectly adversely affect our 5G business as such users potentially could have been customers of our 5G package.

Any of the above and other consequences could materially adversely affect our business, results of operations, financial condition and prospect and cause a significant volatility in and a decline in our share price.

Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could adversely affect our competitiveness or enhance competition in the telecommunications industry.

The PRC government has extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors to us. For example, the MIIT has decided to make asymmetrical changes, effective January 1, 2014, to the public telecommunications network interconnection settlement standards of basic telecommunications operators in the mainland of China. As a result of these changes, when mobile users of China Telecom and China Unicom and our mobile users in the mainland of China (excluding TD-SCDMA users with certain specified prefix numbers) make calls to each other, the settlement charges payable by China Telecom and China Unicom to us were adjusted from RMB0.06/minute to RMB0.04/minute, while the settlement charges payable by us to China Telecom and China Unicom remained at RMB0.06/minute. The MIIT expects to assess the above interconnection settlement policy once every two years based on the development conditions of the telecommunications market and will make adjustments when appropriate. See “Item 4. Information on the Company — Business Overview — Interconnection.” Additionally, in 2016, the MIIT approved China Telecom and China Unicom to reform their respective spectrum by reallocating the frequencies initially allocated to 2G and 3G services to 4G services. Compared to the higher frequencies allocated to 4G, frequencies allocated to 2G and 3G services are lower and therefore can reach farther with less penetration loss. As a result, spectrum refarming would help such operators improve overall network quality at a lower cost. We received the permission to provide 4G services based on the LTE FDD technology on April 3, 2018. In addition, our parent company, CMCC, has been approved by the MIIT to provide 4G services on frequency bands initially allocated to 2G and 3G services until December 31, 2023. We cannot assure you that we will be able to get more spectrum or maintain the existing spectrum upon the expiry of such approval. Constrained by the frequency spectrum available to us, we may not effectively compete with these operators in our provision of 4G services. See “— Our future network capacity growth may be constrained by the frequency spectrum available to us.” Moreover, in December 2018, the MIIT granted CMCC, our parent company, a permit to use the frequency bands of 2515MHz-2675MHz and 4800MHz-4900MHz for its 5G system in the mainland of China. The MIIT allocated the frequency bands of 4900-4960MHz, 3400-3500MHz and 3500-3600MHz to China Broadcasting and the respective parent companies of China Telecom and China Unicom, respectively, for their own 5G programs. In November 2019, the MIIT allocated the frequency bands of 3300-3400MHz to China Broadcasting and the respective parent companies of China Telecom and China Unicom for their joint use in indoor 5G coverage. In April 2020, the MIIT re-designated the 700MHz frequency band, which China Broadcasting had been using for radio and television broadcasting, for mobile communication purposes, thus allowing China Broadcasting to use such frequency band for its 5G program. Our cooperation with China Broadcasting requires collaboration between both parties in various aspects and is therefore subject to uncertainty. See “— We may encounter difficulties and challenges in the commercialization of 5G technologies.”

The implementation of asymmetrical and other regulatory measures could adversely affect our competitiveness or enhance competition in the telecommunications industry, which could in turn significantly reduce our revenues and profitability, and our financial condition and results of operations also may be materially and adversely affected.

Cyber attacks could have a material adverse effect on our business, results of operations and financial condition.

Cyber attacks, including through the use of malware, computer viruses, distributed denial of services attacks, credential harvesting and other means for obtaining unauthorized access to or disrupting the operation of our telecommunications networks and systems and those of our suppliers, vendors and other service providers, could have an adverse effect on our business. Cyber attacks may cause equipment failures, loss of information, data security breaches, including sensitive personal information of customers or employees or valuable technical and marketing information, as well as disruptions to our operations or our customers' operations. We devote significant resources to telecommunications network security, data security and other security measures to protect our systems and data, such as deploying network protection devices, performing regular security assessment and anonymizing personal data. See "Item 4. Information on the Company — Business Overview — Information Systems" for details. We cannot assure you that the security measures we have implemented will not be bypassed or otherwise can fully protect the integrity of our telecommunications network, including our mobile network. The economic costs to us to eliminate or alleviate cyber attacks could be significant and may be difficult to estimate or calculate because the loss may differ based on the identity and motive of the perpetrators, which are often difficult to identify. Further, the perpetrators of cyber attacks are not restricted to specific groups or persons. These attacks may be committed by company employees or external actors operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. While, to date, we have not been subject to cyber attacks which, individually or in the aggregate, have been material to our operations or financial condition, the preventive actions we take to reduce the risks associated with cyber attacks, including protection of our systems and networks, may be insufficient to repel or mitigate the effects of a major cyber attack in the future.

The inability to operate our telecommunications networks and systems or those of our suppliers, vendors and other service providers as a result of cyber attacks, even for a limited period of time, may result in significant expenses to us, and a loss of market share to other telecommunications operators. The potential costs associated with these attacks could exceed the insurance coverage we maintain. In addition, if we fail to prevent the theft of valuable information such as financial data, sensitive information about our intellectual property, or if we fail to protect the privacy of customer and employee confidential data against cyber attacks or any other types of data security breaches, it could result in lawsuits, government claims, investigations or proceedings, and damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

Our continued investments in the construction of our infrastructure network may not adequately address the issues resulting from the substantial increases in data traffic or otherwise achieve the desired outcomes.

Our wireless data traffic business has experienced continuous growth in recent years. The continued substantial increase in data traffic significantly strains the existing capacity of our telecommunications network infrastructure, which we expect to make continuous investments to improve. Moreover, our increased efforts to facilitate the commercialization of 5G technologies and services require investment in the construction of relevant network infrastructure. As a result, we made, and will continue to make, substantial investments in the construction of our network infrastructure to carry the increasing data traffic in the new generation of technology. Accordingly, the amount of our capital expenditures in future years could remain high. We incurred capital expenditures of RMB180.6 billion in 2020, which was spent primarily to build a high-quality 5G network, better the deployment of cloud resources, promote cloud-based network transformation, build up transmission capability and boost IT support. We expect to incur capital expenditures of approximately RMB183.6 billion in 2021. Capital expenditure in 2021 will serve a variety of purposes, including the continued build-out and enhancement of our 5G network, the construction of cloud-based infrastructure, support for the all-rounded development of the “four growth engines” and enhancements to smart operations. See “Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources — Capital Expenditures” for more information on our expected capital expenditures. We cannot assure you that these investments would successfully address the issues resulting from the substantial increases in data traffic or otherwise achieve the desired outcomes.

We may suffer damage to our reputation and financial losses due to communications fraud carried out on our network.

Communications fraud in the mainland of China poses a risk to our business. As we provide connections to the network and host websites for customers and develop Internet content and applications, we may be perceived as being associated with the content distributed through our network or displayed on websites that we host. If communications fraud is committed over our network, we may incur liability as a result of the inadequacy in our measures to prevent such fraud under relevant PRC laws and regulations, including but not limited to the Notice on Advancing Key Tasks in Preventing Telecommunications Fraud in 2019 issued by the MIIT on May 9, 2019, the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues concerning the Application of Law in Handling Criminal Cases Involving Crimes of Illegally Using an Information Network or Providing Aid for Criminal Activities in Relation to Information Network released on October 21, 2019 and the Notice of the Ministry of Industry and Information Technology on Strengthening the Management of Call Center Business issued by the MIIT on June 8, 2020. We have carried out various technical and administrative measures to control and prevent such fraud. For example, we have implemented the real-name registration system for our customers in accordance with the requirements of government authorities, developed a number of anti-fraud systems to detect and intercept fraud calls, spam SMS and smartphone malware, refined our customer service to facilitate the instant reporting of fraud, and strengthened the protection of customers’ personal data from unauthorized access and leakage. See “Item 4. Information on the Company — Business Overview — Sales and Customer Services — Service Quality.” However, we cannot and do not screen all of the information distributed through our network or websites. There is no assurance that our measures to prevent or detect fraud will work effectively. Litigations arising from the claims of communications fraud have been brought against other providers of online services in the past. Regardless of the merits of the litigations, they can be costly to defend, divert management resources and attention, which could in turn damage our reputation and have an adverse effect on our business and results of operations.

Our business may be materially and adversely affected by the COVID-19 outbreak or future epidemics or pandemics.

COVID-19, a disease caused by a novel strain of coronavirus, has spread globally, and the World Health Organization declared the outbreak of COVID-19 a pandemic on March 13, 2020. While still evolving, COVID-19 pandemic has caused significant economic and financial disruptions around the world. At this time, it is not possible to estimate how long it will take to halt the spread of the virus or the longer-term effects that COVID-19 pandemic could have on our business. The extent to which the COVID-19 pandemic impacts our business, financial condition, results of operations will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 pandemic and the actions taken to contain or address its impact. We are continuing to monitor the spread of COVID-19 and related risks.

Due to the outbreak of COVID-19, the PRC government implemented a number of control measures. The COVID-19 pandemic has significantly disrupted China’s economy in the first quarter of 2020. Although China’s economy has experienced recovery since then, it may continue to face challenges due to the spread of the pandemic, risks associated with further local outbreaks and imported cases and heightened volatility and uncertainties in the global economy, and there remains uncertainty on how soon or whether economic activities in China will rebound to the level prior to the COVID-19 pandemic.

The global impact of COVID-19 pandemic has been rapidly evolving and, as the pandemic has spread globally, many countries have instituted quarantines, restrictions on travel, “social distancing” rules, restrictions on “nonessential” business, and/or halt on construction projects. The outbreak of COVID-19 pandemic has severely impacted global economic activities and caused significant volatility and negative pressure in the financial markets.

The COVID-19 outbreak and other public health crisis or actions taken to mitigate such crisis could materially and adversely affect our business, financial condition and results of operations. The adverse impacts may include declining demand for our products and services, increased costs incurred to maintain networks and ensure service continuity and staff safety, temporary closures of certain sales outlets, disruptions or restrictions on the delivery of services or supplies, and other limitations on our business activities.

We may also experience negative effects from future public health crises beyond our control. These events are impossible to forecast, their negative effects may be difficult to mitigate and they could adversely affect our business, financial condition and results of operations. See “— Risks Relating to the mainland of China — An economic slowdown in the mainland of China may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects.”

We face risks relating to our acquisitions, investments and specialized subsidiaries.

We made acquisitions of and hold investments in other entities, with some of which we also established contractual arrangements such as the strategic cooperation. Such investments and acquisitions include our equity interest in Shanghai Pudong Development Bank, or SPD Bank, China Tower, IFLYTEK CO., LTD., or IFLYTEK, True Corporation Public Company Limited, or True Corporation, China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership), or China Mobile Fund, ShiJinShi Credit Information Services Co., Ltd., or ShiJinShi, our joint venture with China Merchants Group, Beijing Channelsoft Technology Co., Ltd., or ChannelSoft, Xiaomi Corporation, or Xiaomi, Beijing Haitian Ruisheng Science Technology Co., Ltd., Beijing Kingsoft Office Software, Inc., or Kingsoft office, Xinjiang Digital Corps Information Industry Development Co., Ltd., Fujian Heyi Health Technology Development Co., Ltd., and our acquisitions of business and assets of China Tietong Telecommunications Corporation, or China Tietong. See “Item 4. Information on the Company — Business Overview — Investments and Acquisitions.” In the future, we may pursue additional acquisitions or otherwise make new investments in other business areas as such opportunities arise.

Furthermore, we have established certain subsidiaries to carry out specialized operations, such as China Mobile Financial Technology Company Limited, or China Mobile FinTech, China Mobile Group Device Company Limited, or China Mobile Device, China Mobile International Limited, or China Mobile International, China Mobile IoT Company Limited, China Mobile Online Services Co., Ltd., China Mobile (Suzhou) Software Technology Co., Ltd., China Mobile (Hangzhou) Information Technology Company Limited, MIGU Co., Ltd., or MIGU, China Mobile Internet Company Limited, China Mobile Investment Holdings Co., Ltd., or CMI Holdings and China Mobile Group Finance Co., Ltd., or China Mobile Finance. We expect to further enhance our operational efficiency by establishing other subsidiaries that operate certain other aspects of our businesses in accordance with our business development strategies.

We cannot assure you that our abovementioned investments will achieve the desired level of return, or that any strategic cooperation and integration will produce the expected benefits, if at all. The profitability of entities held by us is impacted to some extent by macroeconomic conditions and changes in monetary and fiscal policies in the countries and regions in which they operate. Moreover, if we encounter difficulties in carrying out our cooperation with our strategic cooperation partners or the integration with the target companies we acquired, the prospects of relevant business operations may be materially and adversely affected. In addition, we cannot assure you that the business model of each of the entities we held would be sustainable, and the expected benefits from our investment in networks, licenses and new technologies may not be realized.

Any failure to achieve and maintain effective internal controls could have a material adverse effect on our reputation, business, results of operations and the market prices of our securities.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to prevent fraud. We are required to comply with various Hong Kong and U.S. laws, rules and regulations on internal controls, including the Sarbanes-Oxley Act of 2002. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting in our annual reports on Form 20-F that contains an assessment by our management of the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm must issue an auditor's report on the effectiveness of our internal control over financial reporting.

Internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. In addition, projections of any evaluation of the effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in operating conditions or a deterioration in the degree of compliance with our policies or procedures. As a result, even effective internal controls are able to provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal control over financial reporting, our management may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may disagree. If our independent registered public accounting firm is not satisfied with our internal control over financial reporting or the level at which our controls are designed or operated, or if the independent registered public accounting firm interprets the requirements, rules or regulations differently from us, it may decline to express an opinion on the effectiveness of our internal control over financial reporting or may issue an adverse opinion. Any of these possible outcomes could result in a loss of investor confidence in the reliability of our consolidated financial statements, which could cause the market prices of our securities to decline significantly. In addition, any deficiency in our internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the New York Stock Exchange, regulatory investigations and civil or criminal sanctions.

Some employee misconduct, including misconduct by senior management, may not be detected or prevented in a timely manner, and such misconduct may damage our reputation and cause the trading price of our securities to decrease significantly.

Certain management personnel of certain subsidiaries of our Company were alleged to have engaged in unlawful conduct in recent periods. Such allegations of unlawful conduct include the acceptance of bribes. While some of these incidents are still under investigation, we believe that such management misconduct are isolated incidents resulting from individual misconduct.

In order to further strengthen our internal system and policies for detecting and preventing similar and other misconduct, we have re-examined our policies and procedures and have implemented additional operational measures. In particular, with respect to our business cooperation arrangements with third parties, we have adjusted the model of business cooperation and have implemented more stringent policies and processes. These efforts are expected to reduce the probability of third parties engaging in improper business relationships with our employees. We have also further expanded the type of equipment, products and services that are subject to centralized procurement. Furthermore, we have implemented a rotation policy under which the management of our major operating subsidiaries will rotate among different subsidiaries every few years. In addition, we have revised our policy in relation to, and strengthened control over, the material investment projects. We have also provided ongoing compliance and ethics trainings to our employees.

As described above, we have taken various measures to prevent employee misconduct. We cannot assure you, however, that all misconducts or allegations of misconduct by our management and staff can be detected or prevented in a timely manner. If various measures we have taken prove ineffective in preventing employee misconduct, our reputation may be severely harmed, and the trading price of our securities could decrease significantly.

Our success depends on the continued services of our senior management team and other qualified employees.

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our directors and members of senior management are essential to our success and future growth. The loss of a significant number of our directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. We also face fierce competitions with other telecommunication operators and technology companies in hiring and retaining qualified employees or other talents with skills tailored to our development. Therefore, we cannot assure you that we will always be able to attract and retain our desired personnel, and any failure to recruit and retain the necessary management personnel and other key personnel for our operations could have a material adverse impact on our business and results of operations.

We are controlled by CMCC, which may not always act in our best interest.

As of March 31, 2021, CMCC indirectly owned approximately 72.72% of our outstanding shares. Accordingly, CMCC is, and will be, able to (i) nominate substantially all of the members of our board of directors and, in turn, indirectly influence the selection of our senior management; (ii) control the timing and amount of our dividend payments; and (iii) otherwise control or influence actions that require approvals of our shareholders.

The interests of CMCC as our ultimate controlling person may conflict with the interests of our minority shareholders. In particular, CMCC may take actions with respect to our business that may not be in our other shareholders' best interest.

In addition, CMCC provides our operating subsidiaries in the mainland of China with services that are necessary for our business activities. See "Item 5. Operating and Financial Review and Prospects — Overview of Our Operations — Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results." Furthermore, we operate our 3G, 4G and 5G businesses pursuant to arrangements with CMCC, which was granted licenses by the PRC government to operate a 3G business based on TD-SCDMA technology, a 4G business based on TD-LTE technology and LTE FDD technology and a 5G business based on allocated frequency bands. The interests of CMCC as the provider of these services to our operating subsidiaries in the mainland of China may conflict with the interests of us or our other shareholders.

Our future network capacity growth may be constrained by the frequency spectrum available to us.

Mobile network capacity is to a certain extent limited by the amount of frequency spectrum available for its use. Since the MIIT controls the allocation of frequency spectrum to mobile operators in the mainland of China, the capacity of our mobile network is limited by the amount of spectrum that the MIIT allocates to our parent company, CMCC. For our Global System for Mobile Communications, or GSM, network, the MIIT has allocated to CMCC a total of 40x2 MHz of spectrum in the 900 MHz and 1800 MHz frequency bands to be used nationwide for transmission and reception. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 30 MHz of spectrum to be used for nationwide coverage. In connection with our 4G business, CMCC has been approved by the MIIT to provide 4G services on frequency bands initially allocated to 2G and 3G services until December 31, 2023. We cannot assure you that we will be able to get more spectrum or maintain the existing spectrum upon the expiry of such approval. In addition, the refarming process could lead to discontinuation in certain services and affect customer experience, which may adversely affect our business and reputation. Under the existing agreement between CMCC and us, we have the right to use the allocated frequency spectrum in the mainland of China. Additionally, the frequency bands that we are permitted to use for 5G services may also constrain the development of our 5G network. See " — We may encounter difficulties and challenges in the commercialization of 5G technologies." Furthermore, part of the frequencies initially allocated to our 4G services are expected to be reallocated to our 5G services and we cannot assure you that our existing 4G services will not be negatively interfered during such process.

We believe that our current spectrum allocation is sufficient for anticipated customer growth in the near term. However, we may need additional spectrum to accommodate future customer growth or to further develop our 4G and 5G services, and the quality of spectrum available to us may affect our competitive position. We cannot assure you that we will be able to obtain additional spectrum from the MIIT that would meet our expectations or business needs on a timely basis. Our network expansion or upgrade plans may be affected if we are unable to obtain additional spectrum. This could in turn constrain our future network capacity growth and our market share, which would in turn materially and adversely affect our business and prospects as well as our financial condition and results of operations.

We rely on our relationship with China Tower and there remains uncertainty in that relationship which could in turn materially, adversely affect our operations.

China Tower was established in July 2014 by China Mobile Communication Co., Ltd., or CMC, our wholly-owned subsidiary, China Telecom and CUCL, a wholly-owned subsidiary of China Unicom and as of March 31, 2021, we indirectly owned approximately 28% equity interest in China Tower through CMC. The purpose of establishing China Tower is to reduce the overall capital expenditures and operational costs and redundant projects of the three major telecommunications operators and to improve network coverage of the operators. We believe that participating in the establishment of China Tower will benefit our operation and business development in the following significant aspects: (i) to enhance our telecommunications network coverage ability, (ii) to save capital expenditures and optimize cash management, and (iii) to realize investment return from the equity investment in the long run. In order to achieve such purpose, on October 14, 2015, CMC entered into a transaction agreement on transfer of its then-owned telecommunications towers and related assets to China Tower. CMC entered into the Commercial Pricing Agreement, or the Lease Agreement on July 8, 2016 and a supplemental agreement on January 31, 2018 to lease from China Tower telecommunications towers and related assets. See “Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure” and “Item 7. Major Shareholders and Related Party Transactions — Related Party Transactions — Telecommunications Towers and Related Assets Lease Arrangement.”

Our cooperation with China Tower has been benefiting us since its establishment and is expected to continue to run smoothly. However, as we do not own a majority interest of, or otherwise control, China Tower, China Tower may not always act in the best interests of us, and there are uncertainties as to whether the services of China Tower can sufficiently support our business needs and plans, particularly our plan to expand our 4G and 5G business, and whether China Tower can fulfill any usage arrangements to be agreed with us and properly operate, maintain and manage its assets. Additionally, since it is expected that none of us, China Telecom or China Unicom will construct any telecommunications tower after the establishment of China Tower, our business will rely on these telecommunications towers usage arrangements with China Tower. We cannot assure you that we are able to use telecommunications towers and related assets on terms and conditions we desire. In particular, the Lease Agreement provides for a pricing adjustment mechanism under which the fees may be further negotiated or agreed upon after considering any effects of inflation, significant fluctuations in the real estate market or the steel price, many of which are beyond our control. Furthermore, prior to the expiration of lease periods of individual towers, we have to negotiate with China Tower new leases of such towers. If we are unable to enter into any new leases or if we are able to enter into new leases but the lease terms are less favorable to us, our business operations, financial condition and results of operations may be materially and adversely affected. Moreover, establishment of China Tower may enable our competitors to expand their 4G and 5G networks and businesses at a faster pace, which may, in turn, reduce our competitiveness and market share. Failure of China Tower to fulfill any usage arrangements with us or properly operate, maintain and manage its telecommunications tower assets or to provide stable services to us could adversely affect the quality and uninterrupted services of our networks, which would in turn materially and adversely affect our business operations as well as our financial condition and results of operations.

We rely on our relationship with China Broadcasting to develop and use 5G network.

In May 2020, we announced that CMCC, our parent company, entered into a collaborative framework agreement in relation to 5G co-construction and sharing with China Broadcasting. Pursuant to this collaborative framework agreement, CMC, our wholly-owned subsidiary, on behalf of its 31 provincial subsidiaries, entered into four specific collaboration agreements with China Broadcasting on January 26, 2021. Please see “Item 4. Information on the Company – Business Overview — 5G Co-construction and Sharing Agreements” for further information.

We believe that, through such cooperation with China Broadcasting, parties can leverage their advantages in areas such as 5G technologies and spectrum resources to intensively and efficiently achieve 5G network coverage. However, there is no guarantee that we will be able to fully achieve the intended benefit of such cooperation. If our cooperation with China Broadcasting is terminated or the implementation of such cooperation is not as agreed under the relevant collaboration agreements, we may not be able to construct 5G network infrastructure as currently planned and achieve network coverage as planned or as efficiently, which could materially and adversely affect our business operations as well as our financial condition and results of operations.

We are subject to reviews and inspections by governmental authorities and regulatory agencies.

We are subject to reviews and inspections by various governmental authorities and regulatory agencies. These reviews and inspections could cover a broad range of aspects in relation to our business and operations, including financial reporting, tax reporting, internal control and compliance with applicable laws, rules and regulations. For example, in 2017, the National Audit Office of the PRC, or the NAO, conducted an audit (the “Audit”) mainly on the financial revenue and expenditures for the year 2016 of CMCC, our parent company, and its subsidiaries. The Audit found that there were still some issues with CMCC requiring further improvement in areas such as its financial management and accounting as well as operations management, including certain isolated items involving several subsidiaries of us. While issues identified in the Audit have no material impact on the overall operating results, financial reports and effectiveness of internal controls of CMCC or its subsidiaries, we cannot predict the impact of any findings of other reviews, inspections and investigations to be carried out by the NAO or other governmental authorities and regulatory agencies in the future, and we cannot assure you that the outcome of any such reviews or inspections would not have a material adverse effect on our business, financial condition, results of operations, prospects and reputation.

We have been subject to an on-going investigation by the State Administration for Market Regulation over alleged violation of the PRC Anti-Monopoly Law and we currently cannot predict whether or when the SAMR will issue its decision.

The State Administration for Market Regulation, or SAMR, which is the anti-monopoly regulatory authority in China, has been conducting an investigation (the “Investigation”) on four of our provincial subsidiaries over alleged violation of the PRC Anti-Monopoly Law in their sales activities involving customized 4G+ handsets. The Investigation concerns those sales activities, which are alleged to have restricted competition, involving paying subsidies to our distributors and setting sales performance targets on our handset manufacturers for purposes of increasing the sales of our specially customized 4G+ handsets, which activities were already suspended. The SAMR is responsible for the enforcement of the PRC Anti-Monopoly Law and relevant regulations, including promulgating related regulatory policies and guidelines, reviewing monopoly agreements, investigating into abuse of dominant market position and examining concentration of enterprises. It also has the power to issue orders and fines and confiscate gains deemed illegal or take other regulatory actions against wrongdoings. See “Item 4. Information on the Company — Business Overview — Regulation — Market Regulation.” We have been cooperating with the SAMR during the Investigation and responding to SAMR’s formal requests for information and documents in a timely manner. Since the publication of our 2018 annual report on April 29, 2019, we have not been requested by the SAMR to provide any further information or documents or take any other actions and as of the date of this report, the SAMR has not made any decision or reached any conclusion of the Investigation. We currently cannot predict when the SAMR will issue its decision or assure you that such decision would be in favor of us. Any SAMR’s findings of wrongdoings by us including any of our subsidiaries or any judicial decisions against us could damage our reputation and cause a decline in our stock price, and any fines or monetary damages that we might be required to pay could negatively affect our results of operations and financial condition.

Since our services require interconnection with networks of other operators, disruption in interconnections with those networks could have a material adverse effect on our business, profitability and growth.

Our telecommunications and related services depend, in large part, upon our interconnection arrangements and access to other networks. Interconnection is necessary in the case of all calls between our customers and customers of other networks. We have entered into interconnection and transmission line leasing agreements with other operators. Any disruption in our interconnection with the networks of other operators with which we interconnect due to technical or competitive reasons may affect our operations, service quality and customer satisfaction, and in turn our business and results of operations. In addition, any obstacles in existing interconnection arrangements and leased line agreements or any change in their terms, as a result of natural events, accidents, or for regulatory, technological, competitive or other reasons, could lead to temporary service disruptions and increased costs that could severely harm our operations and materially decrease our profitability and growth.

Compliance with the SEC's rule for disclosures on "conflict minerals" may be time-consuming and costly and could adversely affect our reputation.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has adopted a rule that applies to companies that use certain minerals and metals, known as conflict minerals, in their products, including certain products manufactured for them by third parties. The rule will require companies that use conflict minerals in the production of their products to conduct due diligence as to whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries and to file certain information with the SEC about the use of these minerals. We filed our conflict minerals report for the years ended December 31, 2014, 2015, 2016, 2017, 2018 and 2019 with the SEC, and our conflict minerals report for the year ended December 31, 2020 is due May 31, 2021. We will incur additional costs to comply with the due diligence and disclosure requirements. In addition, depending upon our findings, or our inability to make reliable findings, about the source of any possible conflict minerals that may be used in any products manufactured for us by third parties, our reputation could be harmed, and there may also be disruptions to our business and strategy.

We enjoy certain preferential tax policies in the mainland of China; any adverse change of such tax policies in the future may have an adverse effect on our cash flows and results of operations.

According to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Deepening the Value-added Tax Reform Policy (Announcement No. 39 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in 2019), from April 1, 2019 to December 31, 2021, taxpayers in the producer and consumer services sectors in the mainland of China, including us, are allowed to deduct tax payable by adding 10% to the current deductible input tax. However, this policy may be cancelled when it expires on December 31, 2021, and in that case we will cease to benefit from this preferential tax treatment.

Applicable preferential tax policies including the above have had a positive effect on our profitability. Any adverse change of such tax policies in the future may have an adverse effect on our cash flows and results of operations.

Risks Relating to the Telecommunications Industry in the mainland of China

We are subject to extensive government regulation and any change in the regulatory environment in the PRC, especially with respect to the telecommunications industry, may materially impact us.

As a telecommunications operator in China, we are subject to regulation by, and under the supervision of, the MIIT, the primary regulator of the telecommunications industry in China. Other PRC government authorities also take part in regulating the telecommunications industry in areas such as tariff policies and foreign investment. The regulatory framework within which we operate may limit our flexibility to respond to changes in market conditions or competition and could negatively affect our cost structure, profit margin and market share. For example, in recent years, PRC government authorities have required the implementation of real name registration for mobile users. Furthermore, since 2015, the PRC government announced a number of policies on network speed upgrade and tariff reduction, and we introduced, and will continue to introduce, corresponding measures. See "Item 4. Information on the Company — Business Overview — Tariffs." The PRC government may announce additional tariff reduction policies in the future, and we cannot predict to what extent we may be required to further reduce tariffs. Future changes in tariff policies could significantly decrease our revenues and materially reduce our profitability. See "— Risks Relating to Our Business — Our tariff reduction and future policy developments in the telecommunications industry in relation to tariff reduction may continue to adversely affect our financial conditions." Additionally, following pilot mobile number portability programs in Tianjin, Hubei, Jiangxi, Yunnan and Hainan, the PRC government announced in March 2019 a directive to implement mobile number portability programs in the mainland of China by the end of 2019. In November 2019, the PRC government announced the official implementation of such programs nationwide. As a result, the competition among telecommunication operators may further intensify. In response, we may offer more tariff promotions to attract and retain customers. As a result of such intensified competition, our results of operations, profitability and market share may suffer. Any change in the regulatory environment in the PRC, especially with respect to the telecommunications industry, may have a material adverse effect on our business, financial condition, results of operations and prospects.

The MIIT, under the direction of the State Council, has been preparing a draft telecommunications law, which, once adopted, will become the fundamental telecommunications statute and the legal basis for telecommunications regulations in the mainland of China. In 2000, the State Council promulgated a set of telecommunications regulations, or the Telecommunications Regulations. Although we expect that the telecommunications law will positively affect the overall development of the telecommunications industry in the mainland of China, we do not fully know what will be its nature and scope. The telecommunications law and other new telecommunications regulations or rules may contain provisions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

We operate our businesses with approvals granted by the State Council and under licenses granted by the MIIT. We also have arrangements with CMCC, our parent company, under which we operate 3G, 4G and 5G telecommunications businesses based on the 3G, 4G and 5G licenses granted by the MIIT. Any future adverse change in the conditions or other obligations relating to these approvals and licenses could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, personal privacy, cyber security, and data protection are becoming increasingly significant issues in China. The regulatory framework governing the collection, processing, storage and use of business information and personal data is rapidly evolving. The Cyber Security Law of the PRC, or the Cyber Security Law, which came into effect on June 1, 2017, sets forth an overarching framework regulating the network products, equipment, and services, as well as the operation and maintenance of information networks, the protection of personal information, and the supervision and administration of cyber security in the mainland of China. See “Item 4. Information on the Company — Business Overview — Regulation — Cyber Security.” These requirements could increase our costs of compliance. Given the implementation of Cyber Security Law is at an early stage and may be subject to uncertainties in interpretations and enforcement, we are unable to determine its impact on our business. In furtherance of the Cyber Security Law, the PRC government also published “Information Security Technology — Personal Information Security Specification” in May 2018, setting forth detailed guidelines on the collection, utilization and retention of personal information and privacy protection, “Identification Methods for Illegal Collection and Use of Personal Information by Apps” in December 2019, stipulating standards for determining illegal acts of collecting and using personal information through mobile applications, “Cybersecurity Review Measures” in April 2020, providing for the scope and procedures of cybersecurity review and “Guiding Opinions on Implementation the Multi-Level Protection System for Network Security and Critical Information Infrastructure Security Protection System” in September 2020, requiring critical information infrastructure operators to carry out security construction and evaluation in accordance with multi-level network security protection standards. Although we have taken and will continue to take measures to comply with the Cyber Security Law, we cannot assure you that we will comply with the regulatory requirements in all aspects at all times. Any inability to comply with the Cyber Security Law and the relevant regulations and policies, could result in additional cost and liability to us, damage our reputation and adversely affect our business. Moreover, increased costs to comply with and other burdens imposed by the Cyber Security Law and relevant regulations and policies that are applicable to the businesses of our suppliers, vendors and other service providers, as well as our customers, may inhibit our business development or curb the demand of our products and services. If we are unable to respond to changing laws, regulations, policies and guidelines related to privacy or cyber security, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, any PRC telecommunications operators operating in foreign jurisdictions are subject to licensing and other regulatory requirements and supervision of various local government agencies in the relevant jurisdictions. For example, on April 4, 2020, the President of the United States issued an executive order for the establishment of a committee to review foreign participation in the telecommunications services sector in the United States.

The PRC government may require major operators, including us, to provide universal services with specified obligations, and we may not be compensated adequately for providing these services.

Under the Telecommunications Regulations, telecommunications operators in the mainland of China are required to fulfill universal service obligations in accordance with relevant regulations to be promulgated by the PRC government, and the MIIT has the authority to delineate the scope of these service obligations. In December 2015, the MOF, and the MIIT jointly issued a notice on the pilot program to promote basic universal telecommunications services in rural areas where telecommunications operators in the mainland of China, including us, are encouraged to support the broadband development in rural and remote areas, so as to facilitate the achievement of certain strategic goals relating to “Broadband China.” This includes achieving, by 2020, the goal of broadband access in 98% of the villages by administrative division and the rural broadband access capacity of more than 12Mbps. As of December 31, 2020, we had provided broadband access to around 52,000 villages by administrative division under the universal service program. We cannot predict whether we will be required to provide other universal services in the future and, if so, whether we will be adequately compensated by the government or by the universal service fund. We also cannot assure you whether we will be required to make contribution to the universal service fund. Any of these events could reduce our revenues and/or profitability.

Our share price has been and may continue to be volatile in response to conditions in the global securities markets generally and in the telecommunications and technology sectors in particular.

Our share price has been subject to significant volatility, due in part to highly volatile securities markets, particularly for publicly traded shares of telecommunications companies, as well as variations in our sales and profit from operations. Factors other than our results of operations that may affect our share price include, among other things, overall market conditions and performance, market expectations of our performance, projected growth in the mobile market in the mainland of China and changes in our brand value. In addition, our share price may be affected by factors such as the level of business activity or perceived growth (or the lack thereof) in the telecommunications market in general, the performance of other telecommunications companies, announcements by or the results of operations of our competitors, customers and suppliers, announcements by and information released by governmental entities or other regulators, and new technologies, products and services. For example, the trading prices of our ADSs and ordinary shares experienced significant fluctuations following (i) the issuance of Executive Order 13959 by the President of the United States on November 12, 2020 to prohibit certain transactions by U.S. persons and (ii) the announcements by the New York Stock Exchange in January 2021 in relation to the delisting proceedings of our ADSs. See “— Risks Relating to Our Business — Transactions in and holdings of our ordinary shares and ADSs by U.S. persons beyond specified dates are prohibited, and the continued listing of our ADSs are subject to significant uncertainty.” for further information.

Actual or perceived health risks associated with the use of mobile devices could materially impair our ability to retain and attract customers, reduce wireless telecommunications usage or result in litigation.

There continues to be public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. While a substantial amount of scientific research conducted to date by various independent research bodies has shown that radio signals, at levels within the limits prescribed by public health authority safety standards and recommendations, present no adverse effect to human health, we cannot be certain that future studies, irrespective of their relative reliability or trustworthiness, will not impute a link between electromagnetic fields and adverse health effects. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific understanding and public awareness of these issues. In addition, several wireless industry participants were the targets of lawsuits alleging various health consequences as a result of wireless phone usage or seeking protective measures. While we are not aware of any scientific studies or objective evidence which substantiates such alleged health risks, we cannot assure you that the actual, or perceived, risks associated with radio wave transmission will not materially impair our ability to retain customers and attract new customers, significantly reduce wireless telecommunications usage or result in litigation.

Risks Relating to the mainland of China

An economic slowdown in the mainland of China may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct most of our business and generate substantially all of our revenues in the mainland of China. As a result, economic, political and legal developments in the mainland of China have a significant effect on our financial condition and results of operations, as well as our future prospects. While the mainland of China has been one of the world’s fastest growing economies in recent years, its real gross domestic product, or GDP, growth rate declined from approximately 7.7% in 2012 to 2.3% in 2020. Because of the domestic and international challenges China faces from time to time, its GDP growth rate may further decline. For example, the COVID-19 pandemic could cause a global recession and a significant slowdown in the economic development in many countries including China and even long-term economic depression. The global economy may continue to deteriorate in the future and as China is increasingly connected with the rest of the world, any slowdown or decline of global economy could adversely impact China’s economy in various respects, including reduced exports, decreased consumer spending, higher unemployment levels, lower business confidence and continued volatility of financial markets. Additionally, despite the phase one trade deal reached between China and the United States amid the trade disputes between the two countries, there is no assurance that the trade disputes between China and the United States will be fully resolved in the near future or new trade frictions between China and other countries will not emerge in the future, which could in turn harm China’s economic growth. A deterioration in the business environment of the mainland of China as a result of the slowdown in economic growth could reduce business activities and demand for our services and products, which could materially and adversely affect our business, financial condition and results of operations.

Fluctuation of the Renminbi could materially affect our financial condition, results of operations and cash flows.

We receive substantially all of our revenues, and our financial statements are presented, in Renminbi. The value of the Renminbi against U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC and international economic conditions and foreign exchange policies. Furthermore, the Renminbi currently is not a freely convertible currency. Under the “capital account,” which includes, among others, foreign direct investment, the prior approval of the State Administration of Foreign Exchange should be obtained prior to conversion of Renminbi into foreign currency. On the other hand, under the “current account,” which includes trade, payment of dividends and service-related foreign currency transactions, the Renminbi is currently freely convertible. The ability of our operating subsidiaries in the mainland of China to satisfy their foreign exchange obligations, pay dividends to us, and obtain foreign exchange through equity financing, including by means of capital contributions from us, depends on the foregoing foreign exchange control regulations in the mainland of China.

The conversion of Renminbi into foreign currencies, including U.S. dollars and Hong Kong dollars, is based on rates set by the People’s Bank of China, or PBOC. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. In August 2015, PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar will be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day’s closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Since October 1, 2016, the Renminbi has joined the International Monetary Fund’s basket of currencies that make up the Special Drawing Right, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends payable on our ordinary shares in foreign currency terms. Our financial condition and results of operations may also be affected by changes in the value of certain currencies other than the Renminbi, in which certain of our cash and cash equivalents and bank deposits are denominated. If we incur, in the future, debt denominated in currencies other than the Renminbi, such as in the U.S. dollar, the fluctuation of the Renminbi against the other currencies could adversely affect our financial condition and results of operations. For further information on our foreign exchange risks and certain exchange rates, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” We cannot assure you that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition.

The PRC legal system contains uncertainties which could limit the legal protections available to our shareholders and us.

Most of our operating subsidiaries are organized under the laws of the PRC and are subject to laws, rules and regulations in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have limited precedential value. The PRC government has promulgated laws, rules and regulations dealing with economic matters, such as corporate organization and governance, commerce, property, taxation, trade and foreign investment. However, because some of these laws, rules and regulations remain relatively untested, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and/or enforcement of these laws, rules and regulations involve potentially significant uncertainties, which may limit the remedies available to our investors and to us in the event of any claims or disputes with third parties. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. Consequently, the protection provided by the PRC legal system may not be the same as the legal protection available to investors in the United States or elsewhere. Furthermore, various uncertainties involved in the rulemaking, interpretation and enforcement process of the laws, rules and regulations in the PRC that are related to our business and operations may also materially and adversely affect our financial condition, results of operations and prospects.

Natural disasters, terrorist acts, acts of war and health hazards in China may cause damage to our infrastructure and severely disrupt our business and operations.

Our business operations are subject to interruption by natural disasters, power outages, terrorist attacks or other hostile acts, health hazards, among others, which are beyond our control. Such events could cause significant damage to our infrastructure upon which our business operations rely, resulting in degradation or disruption of service to our customers. For example, several natural disasters have struck the mainland of China in recent years. Our network equipment, including our base stations, in the affected areas sustained extensive damages in some of these natural disasters, leading to service stoppage and other disruptions in our operations in those areas. We are unable to predict the effect, if any, that any future natural disasters or other similar events may have on our business. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. These events could also damage the infrastructure of the suppliers, vendors and service providers that provide us with the equipment and services we need to operate our business and provide products to our customers. Any future natural disasters or other similar events may, among other things, significantly disrupt our ability to adequately staff our business, and may generally disrupt our operations. Furthermore, such natural disasters and other similar events may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects. As a result, any natural disasters or other similar events in China may have a material adverse effect on our financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management, and the ability of U.S. authorities to bring actions in the mainland of China may also be limited.

Substantially all of our assets and our subsidiaries are located in the mainland of China. In addition, most of our directors and officers reside within the mainland of China, and substantially all of the assets of our directors and officers are located within the mainland of China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the mainland of China upon most of our directors or officers, including with respect to matters arising under applicable laws and regulations. Moreover, the mainland of China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom or most other Western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States.

As a result, recognition and enforcement in the mainland of China or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Even if you sue successfully in a U.S. court or any of the other jurisdictions mentioned above, you may not be able to collect on such judgment against us or our directors and officers. In addition, the SEC, the U.S. Department of Justice and other U.S. authorities may also have difficulties in bringing and enforcing actions against us or our directors or officers in the mainland of China.

Our investors may be deprived of the benefits of PCAOB's oversight of our independent registered public accounting firm through inspections, which could ultimately lead to the termination of the trading in our ADSs in the United States.

Under the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board, or PCAOB, has the authority and is required to conduct continuing inspections of registered public accounting firms that provide audit services to public companies subject to the reporting requirements of the SEC. Our external auditor is registered with the PCAOB and is subject to inspections by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. On February 19, 2020, the SEC and the PCAOB issued another joint statement on their ongoing discussion with leading accounting firms about the issues highlighted in their previous joint statement. On April 21, 2020, the SEC and the PCAOB issued another joint statement highlighting, among other things, the PCAOB's continued inability to inspect audit work and practices of accounting firms in the mainland of China with respect to their audit work of U.S. reporting companies. As a result of the issues highlighted in these joint statements, our investors may be deprived of the benefits of PCAOB's oversight of our independent registered public accounting firm through such inspections.

As part of a continued regulatory focus in the United States on this issue, on June 4, 2020, the President of the United States issued a memorandum ordering the President’s Working Group on Financial Markets, or the President’s Working Group, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch, the SEC, the PCAOB or other federal agencies and departments with respect to Chinese companies listed on U.S. stock exchanges and their audit firms, in an effort to protect investors in the United States. On August 6, 2020, the President’s Working Group released a report recommending that the SEC take steps to implement the five recommendations outlined in the report. In particular, with respect to companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate, the President’s Working Group recommended enhanced listing standards on U.S. stock exchanges. This would require, as a condition to initial and continued exchange listing, giving the PCAOB access to work papers of the principal audit firm for the audit of the listed company. Companies unable to satisfy this standard as a result of governmental restrictions on access to audit work papers and practices in their jurisdiction may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies. On August 10, 2020, the SEC announced that the SEC chairman had directed the SEC staff to prepare proposals in response to the report of the President’s Working Group, and that the SEC was soliciting public comment and information with respect to the development of these proposals. Any resulting actions, proceedings or new rules from these recommendations could adversely affect the listing and compliance status of China-based issuers listed in the United States, such as our Company, and may have a material and adverse impact on the trading of the securities of such issuers, including us.

Furthermore, on December 18, 2020, the United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act. The HFCA Act includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate completely because of a restriction imposed by a non-U.S. authority in the auditor’s local jurisdiction. The HFCA Act also requires public companies on this SEC list to certify that they are not owned or controlled by a foreign government and make certain additional disclosure in their SEC filings. In addition, if the auditor of a U.S.-listed company is not subject to PCAOB inspections for three consecutive “non-inspection” years after the law becomes effective, the SEC is required to prohibit the securities of these issuers from being traded on a U.S. national securities exchange, such as the New York Stock Exchange, on OTC markets in the U.S. or through any other method within the SEC’s jurisdiction to regulate. On March 24, 2021, the SEC issued the Interim Final Rule on HFCA Act Disclosure and requested comments until May 5, 2021. The Interim Final Rule would add Item 161 (Disclosure Regarding Foreign Jurisdictions that Prevent Inspections) in Form 20-F, which requires disclosure in a foreign issuer’s annual report regarding the audit arrangements of, and governmental influence on, such foreign issuer. Once a foreign issuer is identified by the SEC as having a non-inspection year, such foreign issuer will be required to comply with Item 161 in Form 20-F in its annual report for each fiscal year in which it is identified. The SEC plans to separately address implementation of the trading prohibitions in the HFCA Act in a future notice and comment process. While we understand that there has been dialogue among the China Securities Regulatory Commission, or the CSRC, the SEC and the PCAOB regarding the inspection of PCAOB-registered accounting firms in China, there can be no assurance that our auditor or we will be able to comply with requirements imposed by U.S. regulators.

As of the date of this annual report, we have not been identified by the SEC as having a non-inspection year. However, we cannot assure you that we will not be identified as such in the future. In addition, as a result of the enactment of the HFCA Act, trading of our ADSs in the United States may be effectively terminated if our auditor is not inspected by the PCAOB for three consecutive years. This could also result in our ADSs being delisted from the NYSE. Holders of our ADSs may convert the ADSs into our ordinary shares listed on the Hong Kong Stock Exchange but will incur costs in order to do so. See “Item 12. Description of Securities Other than Equity Securities.” for further information. The value and liquidity of our securities may therefore be materially and adversely affected.

If additional remedial measures are imposed on the PRC-based network firms of the Big Four accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted administrative proceedings against the PRC-based network firms of the Big Four accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the administrative law judge, or ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit work papers to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. These firms subsequently appealed the ALJ's initial decision to the SEC. The ALJ's decision does not take effect unless and until it is endorsed by the SEC. On February 6, 2015, the four PRC-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the accounting firms to follow detailed procedures and to seek to provide the SEC with access to firms' audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from the New York Stock Exchange or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Item 4. Information on the Company.

We provide full communications services in all 31 provinces, autonomous regions and directly-administered municipalities in the mainland of China as well as in Hong Kong. Based on publicly available information, we are the leading provider of telecommunications and related services in the mainland of China and the largest provider of telecommunications and related services in the world as measured by the total number of mobile customers as of December 31, 2020. As of March 31, 2021, our total number of mobile customers reached approximately 940 million.

The History and Development of the Company

We were incorporated under the laws of Hong Kong on September 3, 1997 under the predecessor of the Companies Ordinance as a limited liability company under the name "China Telecom (Hong Kong) Limited." We changed our name to "China Mobile (Hong Kong) Limited" on June 28, 2000 and then to "China Mobile Limited" on May 29, 2006.

Our ordinary shares are listed on the Hong Kong Stock Exchange, and our ADSs, each currently representing the right to receive five ordinary shares, are listed on the New York Stock Exchange. On January 6, 2021, the New York Stock Exchange, following reversal of a similar decision announced on December 31, 2020, announced that it had determined to commence delisting proceedings of our ADSs to comply with Executive Order 13959 signed by the President of the United States. On January 20, 2021, we filed a written request with the New York Stock Exchange for a review of its determination. See "Item 3. Key Information – Risk Factors – Risks Relating to Our Business – Transactions in and holdings of our ordinary shares and ADSs by U.S. persons beyond specified dates are prohibited, and the continued listing of our ADSs are subject to significant uncertainty."

Expansion Through Acquisitions

At our inception, our mobile operations included those in Guangdong Province and Zhejiang Province, conducted by Guangdong Mobile (formerly known as Guangdong Mobile Communication Company Limited), and China Mobile Group Zhejiang Co., Ltd. (formerly known as Zhejiang Mobile Communication Company Limited), or Zhejiang Mobile, respectively. As part of the restructuring in preparation for our initial public offering in 1997, the former Ministry of Posts and Telecommunications transferred to us a 100% equity interest in Guangdong Mobile and a 99.63% equity interest in Zhejiang Mobile. We subsequently increased our shareholding in Zhejiang Mobile to 100%.

We carried out a series of acquisitions between 1998 and 2004, through which we acquired from CMCC, our parent company, mobile operations conducted by its other regional subsidiaries. As a result, we significantly expanded the geographical coverage of our operations to all 31 provinces, autonomous regions and directly-administered municipalities in the mainland of China.

In addition, we acquired all of the issued and outstanding shares of China Resources Peoples Telephone Company Limited (currently known as China Mobile Hong Kong Company Limited, or Hong Kong Mobile), a mobile services provider based in Hong Kong, in 2006. As a result, we expanded the geographical coverage of our operations to Hong Kong.

In 2011, we, through our wholly-owned subsidiary, CMC, acquired 100% of the share capital of China Topssion Communication Co., Ltd., or Topssion, a company primarily engaged in the sale of mobile phone handsets and devices, for an aggregate purchase price of RMB237,070,000 (approximately US\$37,667,000). CMC subsequently transferred 1% of the share capital of Topssion to CMCC, and further subscribed to additional share capital of Topssion. Topssion thereafter changed its name to China Mobile Device. As of March 31, 2021, we held a 99.97% equity interest in China Mobile Device.

In 2015, we, through our wholly-owned subsidiary, China Mobile Tietong Company Limited, or CM Tietong, acquired Target Assets and Businesses of China Tietong, for a final consideration of RMB31,967 million (approximately US\$4,934.9 million). The acquisition was completed in December 2015. We expect that our acquisition of Target Assets and Businesses from China Tietong will facilitate our transformation into a full-service operator offering both fixed-line and mobile services.

These acquisitions have significantly enlarged our customer base and expanded the geographical coverage and scope of our business. The integration of these acquired operations has also enabled us to realize synergies and economies of scale. For a description of our recent investments and capital expenditures, see “ — Business Overview — Investments and Acquisitions” and “Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources — Capital Expenditures.”

Industry Restructuring and Changes in Our Shareholding Structure

Prior to 1993, all public telecommunications networks and services in the mainland of China were controlled and operated by the former Ministry of Posts and Telecommunications through the former Directorate General of Telecommunications, provincial telecommunications administrations and their city and county level bureaus.

Between 1993 and 2008, the telecommunications industry of the mainland of China underwent significant reforms and restructuring that resulted in an improved competitive environment and enhanced regulation of the industry.

In March 2008, the MIIT was created as the industry regulator providing industry policy guidance and exercising regulatory authority over all telecommunications services providers in the mainland of China, including, among others, formulating and enforcing industry policy, standards and regulations, granting telecommunications licenses and permits, formulating interconnection and settlement standards for implementation between telecommunications networks, formulating tariff and service charge standards for certain telecommunications services together with other relevant regulatory authorities, supervising the operations of telecommunications services providers, promoting fair and orderly market competition among operators, and allocating and administering public telecommunications resources.

On May 24, 2008, the MIIT, the National Development and Reform Commission, or the NDRC, and the MOF jointly issued a joint announcement relating to the further reform of the telecommunications industry in the mainland of China, which led to a future restructuring of the then-existing telecommunications services providers. The restructuring resulted in the consolidation of the telecommunications industry in the mainland of China into three service providers: China Telecom, China Unicom and CMCC.

As a result of the industry restructuring in 2008 and early 2009, principal participants in the telecommunications industry in the mainland of China, other than China Tietong and us, also include China Telecom and China Unicom. China Telecom and China Unicom since then operate both mobile and fixed-line services. On November 27, 2015, CM Tietong, our wholly-owned subsidiary, entered into the Acquisition Agreement with China Tietong, pursuant to which CM Tietong has agreed to acquire Target Assets and Business. The acquisition was completed in December 2015.

On July 11, 2014, CMC entered into a promoters' agreement with China Telecom and CUCL, a wholly-owned subsidiary of China Unicom, to establish China Tower, which had a registered capital of RMB10 billion. Pursuant to the promoters' agreement, we have made an investment of RMB4,000 million and indirectly owned a 40% equity interest in China Tower. On October 14, 2015, CMC entered into an agreement on transfer of its then-owned telecommunications towers and related assets, or Tower Assets, for issuance of consideration shares and payment in cash, or the Transaction Agreement, with CUCL, China Telecom, China Reform Holdings Corporation Limited, or CRHC, and China Tower. Following the completion of the transaction on October 31, 2015, China Tower was owned by CMC, China Telecom, China Unicom and CRHC as to 38%, 27.9%, 28.1% and 6%, respectively. CMC transferred its existing telecommunications towers and related assets to China Tower for a final consideration of RMB102,736 million (approximately US\$15,859.7 million). On July 8, 2016, CMC entered into the Lease Agreement, with China Tower, pursuant to which CMC agreed to lease from China Tower telecommunications towers and related assets acquired and newly constructed by China Tower. On January 31, 2018, the parties entered into a supplementary agreement to the Lease Agreement. China Tower completed its initial public offering and listed on the main board of the Hong Kong Stock Exchange, in August 2018, and as a result, our equity interest was diluted from 38% to approximately 28%. As of March 31, 2021, we indirectly owned approximately 28% equity interest in China Tower.

Organizational Structure

As of March 31, 2021, CMCC owned 72.72% equity interest in us through intermediate holding companies. We operate in all 31 provinces, autonomous regions and directly-administered municipalities throughout the mainland of China and in Hong Kong. As of March 31, 2021, we owned, directly or through intermediate holding companies, 100% equity interests in the following companies:

- China Mobile Communication Co., Ltd.
- China Mobile Group Guangdong Co., Ltd.
- China Mobile Group Zhejiang Co., Ltd.
- China Mobile Group Jiangsu Co., Ltd.
- China Mobile Group Fujian Co., Ltd.
- China Mobile Group Henan Co., Ltd.
- China Mobile Group Hainan Co., Ltd.
- China Mobile Group Beijing Co., Ltd.
- China Mobile Group Shanghai Co., Ltd.
- China Mobile Group Tianjin Co., Ltd.
- China Mobile Group Hebei Co., Ltd.
- China Mobile Group Liaoning Co., Ltd.
- China Mobile Group Shandong Co., Ltd.
- China Mobile Group Guangxi Co., Ltd.
- China Mobile Group Anhui Co., Ltd.
- China Mobile Group Jiangxi Co., Ltd.
- China Mobile Group Chongqing Co., Ltd.
- China Mobile Group Sichuan Co., Ltd.
- China Mobile Group Hubei Co., Ltd.
- China Mobile Group Hunan Co., Ltd.
- China Mobile Group Shaanxi Co., Ltd.
- China Mobile Group Shanxi Co., Ltd.
- China Mobile Group Neimenggu Co., Ltd.
- China Mobile Group Jilin Co., Ltd.
- China Mobile Group Heilongjiang Co., Ltd.
- China Mobile Group Guizhou Co., Ltd.
- China Mobile Group Yunnan Co., Ltd.
- China Mobile Group Xizang Co., Ltd.
- China Mobile Group Gansu Co., Ltd.
- China Mobile Group Qinghai Co., Ltd.
- China Mobile Group Ningxia Co., Ltd.
- China Mobile Group Xinjiang Co., Ltd.
- China Mobile Group Design Institute Co., Ltd.
- China Mobile Hong Kong Company Limited
- China Mobile International Limited
- China Mobile IoT Company Limited

- China Mobile Information Technology Company Limited
- China Mobile (Suzhou) Software Technology Co., Ltd.
- MIGU Co., Ltd.
- China Mobile Tietong Company Limited
- China Mobile Investment Holdings Co., Ltd.
- China Mobile (Chengdu) ICT Co., Ltd.
- China Mobile Xiong'an ICT Co., Ltd.
- China Mobile Online Services Co., Ltd.
- China Mobile (Hangzhou) Information Technology Company Limited
- China Mobile Internet Company Limited
- China Mobile Financial Technology Co., Ltd.
- China Mobile (Shanghai) ICT Co., Ltd.
- China Mobile E-Commerce Co., Ltd.
- China Mobile System Integration Co., Ltd. (formerly known as China Mobile Quantong System Integration Co., Ltd.)

In addition, we own a 99.97% equity interest in China Mobile Device, a 92% equity interest in China Mobile Finance, and a 66.41% equity interest in Aspire Holdings Limited, or Aspire, a company incorporated in the Cayman Islands.

For detailed information about our group structure and significant subsidiaries, see “Item 7. Major Shareholders and Related Party Transactions — Major Shareholders” and note 20 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

General Information

Our principal executive offices are located at 60th Floor, The Center, 99 Queen’s Road Central, Hong Kong, China; telephone: 852-3121-8888. We also maintain a regional headquarters in each of our regional mobile companies in the mainland of China and Hong Kong. Our web site address is www.chinamobileltd.com. The information on our web site is not a part of this annual report on Form 20-F.

The United States Securities and Exchange Commission, or SEC, maintains a website at www.sec.gov which contains in electronic form each of the reports and other information that we have filed electronically with the SEC.

Business Overview

Over the past several years, we have achieved a number of technological improvements and upgrades to our core network, which has evolved into an integrated network that is capable of supporting transmissions in all of our services using different generations of mobile technologies. See “ — Mobile Networks” below. In addition, our acquisition from China Tietong of Target Assets and Businesses, has facilitated our transformation into a full-service operator offering both fixed-line and mobile services, enabling us to expand our customer base, increase our wireline broadband network capacity, coverage and efficiency through an integrated network and seize growth opportunities in the wireline broadband market. See “ — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure.”

On April 3, 2018, the MIIT granted to CMCC the permission to provide 4G services based on LTE FDD technology through us. In accordance with the permission, we have been promoting the development of mobile IoT and Industrial Internet nationwide, implementing the scale application of TD-LTE/LTE FDD convergence network and enhancing the quality of our high-speed broadband and mobile communications services. On June 6, 2019, the MIIT granted the basic telecommunications service operating permit for 5G digital cellular mobile service to CMCC. We have been providing 5G services since November 2019. In addition, we continuously devote substantial resources in the innovation of our products and services to deliver better customer experience. We believe our efforts in implementing our business strategies will advance our transformation into a full-service provider and our development toward a world’s leading telecommunications operator in digital innovation.

Our Business Strategy

A new wave of technological revolution and industry transformation characterized by digitalization, networkization and intelligentization has emerged, integrating 5G, AI, IoT, cloud computing, big data, edge computing, blockchain and other next-generation information technologies into the economy, society and people’s livelihood. Every industry has embarked on digital transformation, presenting unprecedented opportunities in the blue-ocean digital economy.

We are now at an historic moment facing a new direction of development. In this context, we have given wider connotation to our “Powerhouse” strategy. We have come up with a clear “4x3” strategic core. First, we will speed up the “three changes,” which are the internal logic of our transformation. We are changing our business development from telecommunications services to information services, from the primarily “Customer” (To C) market to all four CHBN markets (namely, the “customer” market, the “home” market, the “business” market and the “new” market), and from being resource-driven to being innovation-driven. Second, we will facilitate “three trends”, which are our points of breakthrough and core areas of transformation. We are promoting online operations, intelligentization and cloudification to stimulate demand for information services and upgrade the industry landscape. Third, we will reinforce the “three approaches”, which are paths of our transformation. We are setting up a scale-based and value-oriented business operating system with an emphasis on business convergence, integration and digitalization. Fourth, we will strengthen the “three forces”, which are fuels supporting our transformation. We are building up an organization structure incorporating our capabilities, collaboration and vitality to deliver high operating efficiency and synergy across operations. In light of the accelerated digital transformation of the economy and society, our strategy is to expedite the construction of information “highway” consisting of first-class new information infrastructure and operate information “high-speed train” by introducing innovative operating practices and exploring new use cases, products and business forms relating to information services.

“Customer” Market. We proactively made adjustments to our business strategy, shifting the emphasis from expanding our customer base to cultivating quality and value. We accelerated the development of a holistic product portfolio comprising data access, applications and customer benefits, and further integrated the operations of our three consumer brands— GoTone, M-zone and Easy Own. We also adopted an integrated marketing approach with a view to stimulating customer demand for 5G products by actively promoting 5G handsets, customer benefits, service packages and intelligent hardware, leveraging the distribution of 5G consumption vouchers. To boost sales of mobile devices, we introduced more financing options, including particulate loans and 5G gold coins, in addition to credit purchase. Driven by fast-growing 5G business and our marketing approach to integrating content and customer benefits, we have gradually solidified our position in the “Customer” market and our 5G business achieved robust growth. As of December 31, 2020, the number of 5G package customers reached 165 million, accounting for 17.5% of our mobile customer base. The number of average net additional customers per month exceeded 13.5 million. Post 5G migration, the average revenue per user per month, or ARPU, and the average handset data traffic per user per month of 5G package customers have increased by 6.0% and 23.7%, respectively, showing promising growth potential for the value of the 5G business.

“Home” Market. Leveraging our core gigabit broadband products, we focused on enhancing our broadband quality and strengthening the integrated development of broadband, hardware and applications to encourage customers to upgrade their plans. We promoted integrated development of “big screen” contents with other household applications, bolstered entry points for household information services and accelerated the formation of an ecosystem comprising cinemas, film distributors and vertical content providers. We focused on expanding our three main business lines, namely smart home network deployment, home security and smart remote controls, to enrich our smart home applications. By launching various initiatives to attract target customer groups, retain existing customers by segmentation, foster synergetic growth of TV services and promote smart home applications, the “Home” market demonstrated robust growth with a steady increase in customer value. As of December 31, 2020, the number of household broadband customers reached 192 million, with the number of average net additional customers per month exceeding 1.67 million. Our digital set-top box “Mobaihe” registered a total of 141 million customers as of December 31, 2020, with a net addition of 18.99 million and a continuous increase in penetration rate in 2020. Our customer numbers for smart home network deployment, home security and smart remote controls increased by 347%, 204% and 621% year-on-year, respectively. The revenues from household broadband and smart home application services increased by 18.6% and 25.7% year-on-year respectively, driving further growth in household broadband blended ARPU. Driven by the combination of bandwidth upgrades and the introduction of value-added applications, our household broadband blended ARPU reached RMB37.7, increased by 6.9% compared to 2019.

“Business” Market. We promoted the integrated development of network, cloud and DICT (data, information and communications technology) in key sectors including smart city, smart transportation and the Industrial Internet. We further expanded and optimized our products and solutions for our corporate business with a focus on customer demands, using a selective and dynamic approach to update what to include in our product portfolio. With an emphasis on innovation, we enhanced the quality of a range of basic products, such as dedicated lines, IDC (Internet Data Center), IoT (Internet of Things) and corporate short messages, to scale the growth of the corporate business. We built an industry-leading cloud business, developed more signature products and enhanced product quality. Public cloud offerings have become the driver for our customer base expansion and private cloud offerings the driver for revenue growth. The revenue and market share of our mobile cloud services both scaled up substantially. We also strove to pursue a market-leading position in 5G development. Focusing on key industries and business areas, we continued to build 5G application showcases and strove to promote scale conversion. We also developed standardized and dedicated 5G products. As a result, we maintained our leadership within the industry for driving 5G adoption across vertical sectors. In 2020, the number of our corporate customers reached 13.84 million, representing a net increase of 3.56 million.

“New” Market. We focused on four key areas, namely international business, equity investment, digital content and financial technology, using an innovative approach. In terms of the international business, we strove to minimize the negative impact of COVID-19 while expanding our international operations and business scale. Our international business maintained positive growth momentum, thanks to our continued efforts to strengthen key product capabilities such as cross-border cloud and network services and DICT. We upgraded our extensive global coverage comprising Information Highway (connectivity resources), Information Station (PoPs, Points of Presence) and Information Island (data centers), and deepened our collaborations with international telecommunications service providers. In terms of equity investment, we built up a professional capital management system that conforms to standards, leveraging the complementary strengths of direct investments and investment funds to create greater synergy and achieve higher impact. We focused on investing in a range of sectors, including information and communications infrastructure and technologies, cloud computing, artificial intelligence, information security and digital content, in order to further unleash the potential of our capital. In terms of digital content, we leveraged our position as a content synthesizer and producer to foster an industry-leading content ecosystem. As a result, we recorded rapid growth in the number of active users for a variety of businesses, including MIGU Video, cloud-based games and video connecting tones. With regard to financial technology, building on the and-Wallet brand, we rapidly expanded our business and achieved solid growth in terms of credit purchase, investment products and supply chain financing. We also made sound progress in research in the areas of super SIM card, digital identity applications and digital currency applications.

In terms of long-term strategy, we have put forward a new strategic vision: We will open up development space toward information services and focus on technological innovation to create competitive advantages. These moves will form part of our concerted efforts to achieve our goal of joining the league of the world’s first-class information service technology companies. At the same time, we will focus on “two facilitations and two integrations”: We will fully facilitate the construction of information infrastructure and facilitate the digitalized and intelligent transformation of the whole society. We will also make endeavors to accelerate the integration and innovation of various information technologies, and speed up the deep integration of information technology and the economy, society and people’s livelihood.

We will strive for making progress while maintaining stability, adopting our main line of development that promotes digitalized and intelligent transformation and achieves high-quality development. We will focus on our “4x3” strategic core and fully implement the “5G+” plan, taking solid steps toward becoming a world-class enterprise by building a dynamic “Powerhouse”. We will strive to achieve stable and healthy growth in telecommunications services revenue and net profit, creating higher value for our shareholders.

Customers and Usage

Our mobile customer base has decreased from approximately 950 million at the end of 2019 to approximately 942 million at the end of 2020. As of March 31, 2021, we had approximately 940 million mobile customers, including approximately 788 million 4G customers and approximately 189 million 5G package customers. The decrease in the total number of our mobile customers was due to a decrease in the number of customers holding more than one SIM card, which is in line with industry trend. Our total number of wireline broadband customers achieved a substantial growth from 187 million by the end of 2019 to 210 million by the end of 2020, and reached approximately 218 million as of March 31, 2021. Due to the increasing mobile penetration rate and intensified competition among telecommunications operators and from competitors in related industries, our overall mobile customer base may continue to decline or fail to grow as fast as it has over the past few years. See “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — The increasing competition from other telecommunications services providers and competitors in related industries and changes in the competitive landscape of the telecommunications industry in the mainland of China may reduce our market share and decrease our profit margin.”

Our total voice usage was 3,032.4 billion minutes in 2020, representing a decrease by 6.0% from 2019. Our SMS usage totaled 958.3 billion messages in 2020, an increase by 12.9% from 2019. The decrease in our voice usage is mainly due to the substitution effect of Over The Top services, such as instant messaging, VoIP services, or audio or video content services delivered over the Internet while the increase in our SMS usage primarily resulted from the development of SMS services for corporate customers.

Our total handset data traffic increased to 90.66 billion gigabytes in 2020, representing an increase of 37.6% from 2019. Our average handset data traffic per user per month reached 9,602 MB in 2020, representing an increase of 39.0% from 2019. The significant rise in our handset data traffic usage is primarily driven by our preferential tariff plans, more comprehensive product offerings of mobile applications, robust network capabilities, enhanced customer service quality and increased efforts in precision marketing.

The following table sets forth selected historical information about our customer base and customer usage as of or for the periods indicated.

	As of or for the year ended December 31,		
	2018	2019	2020
Mobile Business			
Customer base (in millions)	925.1	950.3	941.9
of which: 4G customer base (in millions)	712.7	758.0	775.3
of which: 5G package customer base (in millions)	—	2.55	165
Total voice usage (in billions of minutes)	3,485.2	3,224.8	3,032.4
Handset data traffic (in billions of gigabytes)	34.62	65.89	90.66
Average minutes of usage per user per month (minutes) ⁽¹⁾	320	287	267
Average handset data traffic per user per month (MB) ⁽²⁾	3,725	6,909	9,602
Average revenue per user per month (RMB) ⁽³⁾	53.1	49.1	47.4
Wireline Broadband Business			
Customer base (in millions)	156.7	187.0	210.3
Average revenue per user per month (RMB) ⁽⁴⁾	33.5	32.8	34.0
IoT Business			
IoT smart connections (in millions)	551	884	873

- (1) Calculated by (A) dividing the total minutes of usage during the relevant year by the average number of customers during the year (calculated as the average of the numbers of customers at the end of each of the 13 calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12.
- (2) Calculated by (A) dividing the total handset data usage during the relevant year by the average number of handset data users during the year and (B) dividing the result by 12.
- (3) Calculated by (A) dividing the revenue from mobile services during the relevant year by the average number of mobile customers during the year (calculated as the average of the numbers of customers at the end of each of the 13 calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12. The revenue from mobile services in 2018, 2019 and 2020 is derived from our consolidated statements of comprehensive income for the years ended December 31, 2018, 2019 and 2020, respectively.
- (4) Calculated by (A) dividing the revenue from wireline broadband services during the relevant year by the average number of wireline broadband customers during the year (calculated as the average of the numbers of customers at the end of each of the 13 calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12.

Businesses

Our businesses primarily consist of voice business and data business.

Voice Business. Our voice business includes voice usage services and voice value-added services.

Our voice usage services focus on enabling our customers to make and receive calls with a mobile phone at any point within the coverage area of our mobile networks. The services include local calls, domestic long-distance calls, international long-distance calls, domestic roaming and international roaming. Our voice usage services experienced a decrease due to a decline in total voice usage by 6.0% in 2020 from 2019, as a result of the substitution effect of Over The Top services and reduced voice tariff.

Our voice value-added services mainly include caller identity display, caller restrictions, call waiting, call forwarding, call holding, voice mail, conference calls and other services.

Data Business. Our data businesses include SMS and MMS, wireless data traffic services, wireline broadband services and applications and information services. In 2020, our data business revenue, which has become the primary driver for our revenue growth since 2016, increased by 5.7% from RMB565,025 million in 2019 to RMB597,010 million (US\$91,496 million). As a percentage of revenue from telecommunications services, our data services revenue increased to 85.8% in 2020 from 83.8% in 2019.

SMS and MMS. SMS refers to services that employ the existing network resources and the corresponding functions of mobile terminals to deliver and receive text messages. SMS offers convenience and multi-functionality to our customers. MMS is a technology that allows users to exchange multimedia communications, such as graphics, animated color pictures, sound files and short text messages, over wireless networks. Our SMS usage increased from 848.4 billion messages in 2019 to 958.3 billion messages in 2020, and our revenue generated from SMS and MMS increased from RMB28,648 million in 2019 to RMB29,485 million (US\$4,519 million) in 2020 due to the increase of corporate SMS.

Wireless Data Traffic Services. Our wireless data traffic business primarily includes handset data traffic services. Revenue generated from our wireless data traffic business reached RMB385,679 million (US\$59,108 million) in 2020, compared to RMB384,999 million in 2019, representing 55.5% of revenue from telecommunications services.

Our handset data traffic service is a service that we provide to our customers that enables mobile access to the Internet through 2G, 3G, 4G or 5G networks via handsets. The growth in handset data traffic service in 2020 was primarily driven by our preferential tariff plans, continuous enrichment of data products, more comprehensive product offerings of mobile applications, robust network capabilities, enhanced customer service quality and increased efforts in precision marketing. Our handset data traffic reached 90.66 billion gigabytes in 2020, a significant increase from that of 65.89 billion gigabytes in 2019.

Wireline Broadband Services. Our wireline broadband business offers primarily the wireline broadband data traffic service, including household broadband services, corporate broadband services and Internet dedicated lines services. Revenue generated from our wireline broadband business increased to RMB80,808 million (US\$12,384 million) in 2020, representing an increase by 17.4% from RMB68,835 million in 2019, and the average revenue per user per month increased from RMB32.8 in 2019 to RMB34.0 in 2020.

Applications and Information Services. Our applications and information services primarily include network resources services, mobile applications, home digital services, IoT, ICT, Mobile Cloud and big data. Revenue generated from our applications and information services reached RMB101,038 million (US\$15,485 million) in 2020, compared to RMB82,543 million in 2019.

Our network resources services mainly include IDC services and voice and data dedicated line services. Our IDC services refer to our colocation, internet connection and other value-added services, and our dedicated line services refer to our data and voice services provided through exclusive lines to corporate customers.

We closely monitor and follow the industry trend in our development of applications and information services, and have extended our business into various emerging areas, such as IoT, home digital services, mobile payment, digital contents and other services. We have established several specialized companies, including, among others, China Mobile IoT Company Limited, China Mobile Internet Company Limited and MIGU to focus on these areas. We also established centralized public IoT networks with 873 million IoT smart connections as of December 31, 2020. Our home digital services include high-definition video-on-demand services provided through Mobaihe set-top box, smart home network deployment, “and-Mu” family surveillance camera and IMS fixed line services. Subscribers to Mobaihe reached 141 million at the end of 2020, compared to 122 million at the end of 2019. We will continue to promote our digital services, explore new growth drivers, further advance the market-orientated innovation, so as to strengthen our position in the competitive digital landscape.

Please see “Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2020 Compared to Year Ended December 31, 2019” and “Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2019 Compared to Year Ended December 31, 2018” for more information about our service revenue.

Tariffs

Our tariffs are subject to regulation by various government authorities, including the MIIT, the NDRC and the relevant price regulatory authorities in the mainland of China. The MIIT has continued encouraging mobile operators in the mainland of China to implement the caller-party-pays regime, and mobile operators, including us, have been implementing the caller-party-pays regime. In particular, all of the new calling plan packages that we offer in the mainland of China are generally based on tariffs equivalent to the caller-party-pays regime. In May 2014, the PRC regulators further promulgated policies to permit mobile services providers to set the tariffs of all telecommunications services. Our international roaming usage charges are set in accordance with agreements with the relevant foreign mobile operators.

We offer our customers a variety of tariff packages that have varied monthly charges, minimum charges for basic usage, charges for usage exceeding the covered basic usage, fixed charges for selected features and functions, as well as charges for voice value-added services. We offer tariff packages with respect to wireless data traffic business, or charge the tariff by the actual data traffic usage. We also offer different tariff packages with respect to SMS and MMS, and applications and information services.

We have flexible tariff plans distinguishing between peak time and non-peak time usage, and offer tailored service plans based upon the needs of different customer groups as well as our network resources. Given the rapid growth in mobile penetration rate and increased competition, in order to remain competitive in terms of price and performance with other mobile operators we provide certain discounts and promotional offers, including large data packages, in and during certain service areas and call periods targeting various customers.

Since May 2015, in response to the expectations of the general public and customers and in order to implement the relevant national policy, we, in addition to continue enhancing network capacity and increasing network speed, launched customized voice and data tariff plans at lower rates to meet a variety of customer needs, particularly, to reduce the tariffs for out-of-plan data usage and international roaming in certain countries and regions. With respect to our data traffic tariff, we launched an unused data traffic carry-over program for our mobile monthly plans that are charged based on pre-determined data traffic, according to which customers could carry over their monthly plan's remaining unused data traffic to the following month in October 2015. In May 2017, we rolled out a series of preferential data traffic plans as one of our tariff reduction measures.

In addition, we took an orderly and balanced approach in reducing voice tariff. In August 2015, we cancelled the domestic long-distance and roaming tariffs for voice services within the tariff zones of Beijing Municipality, Tianjin Municipality and Hebei Province so that our customers are only charged with local usage tariff for our voice services provided within the tariff zones. Similarly, we extended the same tariff policies to the tariff zones of Sichuan Province and Chongqing Municipality in October 2016. In March 2018, the PRC government announced additional policy requirements relating to network speed upgrade and tariff reduction, including, among other things, to achieve full coverage of high-speed broadband in urban and rural areas, to expand free Internet access in public places, to significantly reduce the tariffs of household broadband and Internet dedicated line services, to cancel domestic data "roaming" charges, namely, to unify the charges for data consumed within and outside of the province of the customers' residence, and to reduce handset data traffic tariff by at least 30% in the year of 2018. Accordingly, we launched a number of preferential tariff plans, including large data packages, for our mobile data services, household broadband services, dedicated line services and international roaming services in 2018. Starting from July 1, 2018, we no longer charge tariffs for domestic data roaming. Additionally, as a result of our efforts in cooperation with overseas telecommunications operators, our international roaming tariffs further decreased in 2018. In March 2019, the PRC government in its 2019 work report introduced further "speed upgrade and tariff reduction" measures, including directives to (i) further reduce the broadband tariffs for small and medium enterprises by 15% on average and the tariffs for handset data by no less than 20% on average, and (ii) implement mobile number portability programs in the mainland of China by the end of 2019. The PRC government further required (i) in its 2020 work report, a 15% reduction in the average broadband and dedicated line tariff and (ii) in its 2021 work report, a 10% reduction in the average broadband and dedicated line tariff for small and medium enterprises. We may be required to further adjust our tariff under the "speed upgrade and tariff reduction" policy or implement other similar policies to be issued by the PRC government in the future. We will implement these state policies while striving to further integrate our businesses and promote product innovation.

The reduction in tariffs as a result of these measures, on the one hand, has had, and we expect that it will continue to have, adverse impact on our financial condition and results of operations. See “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — Our tariff reduction and future policy developments in the telecommunications industry in relation to tariff reduction may continue to adversely affect our financial conditions.” On the other hand, we have implemented a number of measures to enhance our data traffic operations in response to the “speed upgrade and tariff reduction” initiatives. For example, in our efforts to enhance customer experience, we continued to increase our network speed. We believe these initiatives will, in the long run, facilitate the transformation of our business model to focus on data traffic and digital services.

For our wireline broadband services and applications and information services, we determine tariffs mainly according to market conditions.

Interconnection

Interconnection refers to various arrangements that permit the connection of our networks to other mobile or fixed-line networks. These arrangements provide for the sharing and settlement of revenues from the base usage charges and, if applicable, roaming charges and long-distance charges.

Under the current telecommunications regulations, parties seeking interconnection must enter into an interconnection agreement. In addition, major telecommunications services providers that have control over essential telecommunications infrastructure and possess significant market share must allow interconnection to their networks by other operators. These telecommunications services providers must also establish interconnection rules and procedures based on the principles of non-discrimination and transparency and submit such rules and procedures to the MIIT for approval. The termination of any interconnection arrangements will require prior approval by the MIIT. The applicable regulations provide that interconnection related equipment must conform to the technical standards approved by the MIIT. See “ — Regulation — Technical Standards” below.

Our interconnection arrangements with other telecommunications operators enable our subscribers to communicate with the subscribers of those operators through making and receiving local, domestic and international long-distance calls. Each of our operating subsidiaries has interconnection agreements with those operators in its service area. The economic terms of these agreements are generally standardized from province to province.

The MIIT has made adjustments to the public telecommunications network interconnection settlement standards of basic telecommunications operators in the mainland of China. With effect from January 1, 2014, when mobile users of China Telecom and China Unicom in the mainland of China and our mobile users in the mainland of China (excluding TD-SCDMA users with specified prefix numbers of 157 and 188) make calls to each other, the settlement charges payable by China Telecom and China Unicom to us were adjusted from RMB0.06/minute to RMB0.04/minute, while the settlement charges payable by us to China Telecom and China Unicom remained at RMB0.06/minute. The MIIT expects to assess the above interconnection settlement policy once every two years based on the development conditions of the telecommunications market and will make adjustments when appropriate. With effect from July 1, 2020, when mobile users of China Telecom and China Unicom in the mainland of China and our TD-SCDMA users with specified prefix numbers of 157 and 188 make calls to each other, the settlement charges payable by us to China Telecom and China Unicom were adjusted from RMB0.012/minute to RMB0.06/minute while the settlement charges payable by China Telecom and China Unicom to us remained at RMB0.06/minute. When users of different basic telecommunications operators in the mainland of China send SMS or MMS to each other, the settlement charges for SMS were adjusted from RMB0.03/message to RMB0.01/message, and the settlement charges for MMS were adjusted from RMB0.10/message to RMB0.05/message.

In January 2020, the MIIT issued a notice on adjusting the settlement arrangement standards for Internet backbone network interconnections, pursuant to which, starting on July 1, 2020, the respective parent companies of China Telecom and China Unicom would cease to charge CMCC, our parent company, the current one-way payment of interconnection fees for Internet backbone network interconnections between CMCC and the parent company of China Telecom or China Unicom. Instead, Internet backbone network interconnections would be settled by full peering without charges among CMCC and the respective parent companies of China Telecom and China Unicom.

Roaming

We provide roaming services to our customers, which allow them to access mobile services while they are physically outside of their registered service area or in the coverage areas of other mobile networks in other countries and regions with which we have roaming arrangements.

A mobile customer using domestic roaming services is charged at our roaming usage charges or, for outgoing international long-distance calls, international long-distance charges. A mobile customer using international roaming services incurs charges based on tariffs that vary depending on whether it is an incoming call or an outgoing call and on the destination of the call. In recent years, our international and domestic roaming usage charges have generally declined, resulting in lower average revenue per minute from roaming services. For example, since 2015, we reduced the international data roaming charges in certain countries and regions and cancelled the domestic long-distance and roaming charges for voice services within the tariff zones in Beijing-Tianjin-Hebei and other designated regions and the tariff zones in Sichuan Province and Chongqing Municipality. We cancelled all handset domestic long-distance and roaming tariffs since September 1, 2017. In addition, we further lowered our international roaming charges since 2016 in response to customers' expectation, and our international roaming voice usage increased. See "— Tariffs."

In December 2016, we initiated the "Hand-in-Hand Program," a cooperation program among international telecommunications operators to jointly enhance network functionality and interconnection, aiming at delivering better international roaming experience for customers.

Research and Development

Our research and development, or R&D, functions are undertaken jointly by our research institute, our research centers in different cities and other relevant business units. The responsibilities of our research institute include defining our network and technology evolution roadmap, supporting the operation of existing networks and services, engaging in international standard setting activities and defining corporate specifications, leading the development and field testing of new products and services, procurement testing and certification of network devices, mobile terminals and information technology systems. In 2018, we set up three industrial research institutes in Chengdu, Shanghai and Xiong'an New Area, respectively, to explore collaboration opportunities with various participants in other industries, including finance, healthcare, transportation and smart city, among others, enhance our research capabilities and competitiveness in the vertical industries. In 2020, we set up additional R&D institutions in Jiangsu, Zhejiang and Guangdong and sped up the development of our smart mid-end platform.

In 2020, our main R&D efforts were focused on a number of aspects:

Setting Technical Standards and Promoting Industry Development for 5G Commercialization. We contributed to the development of 5G-related technical standards by leading the formulation of twenty 3GPP and ITU standards and providing 170 key solutions. Through commercial-scale experiments, we have improved the industrial readiness of the 2.6 GHz frequency band. We also completed the IoT testing of the basic functions of and the core networks under the SA standard. In addition, we released our 5G Intelligent Network White Paper at our global partners conference, which outlines our overall vision and design for 5G intelligent networks, and taking a leading role in six ITU and 3GPP standard formulation projects. Furthermore, we played an active role in the formulation of the O-RAN standard and established the Open Wireless Network Testing and Integration Center (OTIC) to promote the development of open-source and intelligent wireless networks.

Promoting network transformation and the convergence of cloud and network. We formulated various strategies, including the integration of 5G and NFV/SDN, that laid the foundation for the commercialization of cloud-based networks. We also stepped up our efforts in the research of key technologies and tested certain self-developed compilers to meet requirements for pre-commercial use and integrated software into over 56,000 servers for the commercialization of cloud-based network. In addition, we contributed 2.5 million lines of code to the 7th version of ONAP, an open network automation platform.

Building technological capabilities in artificial intelligence, IoT, cloud computing, big data and edge computing. (i) We launched our in-house R&D platform for artificial intelligence, which, together with our centralized big data platform, nurtures artificial intelligence capabilities in 30 key areas, including network intelligence and industrial quality inspection. (ii) We enhanced the value-added service capabilities of the IoT OneNET platform and supported the implementation of more than 10 industry projects. We promoted independent research and development of IoT chips and reduced the unit cost of self-developed eSIM chips by 13.3%. In addition, we have developed a proprietary IoT operating system based on an open source kernel. (iii) We formulated strategies for edge computing technologies and commenced trial operation for a proprietary cloud-based edge computing platform. (iv) We stepped up our research in 5G-related security and took a lead in the formulation of China's first 5G security industry standard. (v) We made progress in certain key technologies, such as industrial quality inspection, smart medical consultation, smart farming and high-precision positioning.

Sales and Customer Services

We continue to optimize our customer service system that separate front- and back-line services and have established sales and services channels tailored to the needs of customers by providing electronic and mobile Internet channels.

Sales Channels. We offer our services through an extensive network of proprietary sales outlets, retail outlets and electronic sales and marketing channels. Our proprietary sales outlets, in addition to providing retail sales and network connection services, also offer differentiated services to customers, including, among others, billing information and payment collection, services consultation and sale of terminals. Most of our proprietary sales outlets provide training and service demonstrations to retail outlets, which, in turn, offer our services to customers according to agency agreements with us. In connection with these sales, all applicable fees payable after initial connection are paid to us. Our electronic channels offer services including, among others, subscription of voice value-added services and data business, change of tariff plans, credit loading for pre-paid services, sales of SIM cards and terminals and redemption of “Customer Reward” points. In addition, we are able to establish sales and service networks at lower cost by utilizing existing resources in rural areas to serve and expand our customer base in these areas. We have also established concept stores in major cities within the mainland of China to showcase our services and products, particularly our data services, and to facilitate certain sales and marketing activities. In addition, we have undertaken further transformation of our marketing channels and rendered more traditional services via intelligent, Internet-based channels. We have also launched experiential and interactive marketing and services at some of our physical retail outlets in effort to transition to the “new retail” model.

Market Segmentation Strategy. As customers’ demands for mobile telecommunications become more varied and complex, we have conducted research on market segmentation and have launched products which cater to the specific needs of different customer groups to increase awareness of our brand and products and maintain our customer base. Our marketing efforts focus on retaining middle-to-high-end customers. We have developed products, service packages and advertising and distribution channels unique to certain groups of customers, such as corporate customers and customers in the rural areas. With respect to corporate customers, we have focused on key services such as voice and data dedicated lines and IDC services, built a network-wide coordinated sales system targeting major corporate customers and have developed product series targeting corporate customers in key industries, such as public administration, finance, transportation, education, healthcare and agriculture. In terms of customers in the rural areas, in order to lower the barrier of using mobile phones, we have encouraged handset producers to introduce inexpensive handsets with moderate functions. We have also upgraded the three popular brands of “GoTone,” “M-zone” and “Easy Own” by providing new customer benefits, content and services.

Our strategy in attracting new customers and retaining existing customers is to continue to implement our customer classification and customer bonus points program. We classify our customers according to their level of value contribution and match them with differentiated service resources according to their level, with higher-level customers enjoying premium services. Our customer bonus points program is an important measure to this end, under which customers receive bonus points based on their service consumption and loyalty and may exchange their accrued bonus points for tariffs, data and other benefits.

Customer Services. Our customer support service centers offer 24-hour staff-answering and automatic-answering service hotlines in the mainland of China, dealing with customer enquiries regarding services and billing, as well as handling customer complaints. In 2018, we established a customer services department to coordinate our customer services efforts.

In 2020, we continued to optimize our customer service processes through efforts such as improving service quality at our sales outlets, 10086 hotline and online portal, in particular our online-based customer service. We have actively promoted electronic channels, including expanding the scope of services provided through our electronic channels and shortening the processing time at the electronic channels. In addition, we implemented service measures such as increasing transparency in the billing process, inquiry and data services unsubscription function through SMS to ensure our customers would be fully informed of the payments they would make. We continued to block spam SMS and malicious software for our customers. Our ongoing improvement in customer services resulted in broader customer satisfaction in 2020.

Service Quality. We strive to improve the quality of our services through improvements in the quality of our infrastructure network and customer perception. We continue to upgrade our service quality management system and have created a transparent and secure communication platform. In particular, we started to integrate customer services resources to our 10086 customer service hotline operation, which increased our service efficiency and overall hotline connection rate. We have also improved our business support capabilities, especially in the areas of billing and data business subscription support.

Additionally, we have devoted significant resources to network security to implement high standards of data privacy protection for our customers, aiming at creating a secure communication platform for our customers. We introduced resilient and protected features, such as our anti-fraud system utilizing big data technology and anonymization of personal data, so as to strictly protect the privacy of our customers. We implemented policies and procedures that target phishing, spam SMS and malware in order to reduce the spam, improper SMS and malware transmitted to our customers. We also implemented measures such as adopting the real-name registration system, refining our service process, providing instant channels to report spam and fraud, for purpose of early detection of, and quick response to, fraud.

Churn Management. We have devised internal monitoring systems to detect customers who are prone to discontinue their subscriptions. In particular, our churn alert system prompts customer service representatives to proactively approach those customers, and customers who have recently discontinued their service, to improve customer relations and minimize churn.

Credit Control. We have implemented customer identity and information checks during the customer registration procedures to assist in credit control. Direct debit services are available in each geographical area. The accounts of contract customers are required to be settled on a monthly basis, and a customer will be subject to late payment fees for amounts overdue and subject to account deactivation if the customer's account remains overdue. As a majority of our existing customers pre-pay for our services, we have limited credit risk exposure to our customers. We make an impairment loss for doubtful accounts based on assumptions on the risks of default and expected loss rates.

Corporate Social Responsibility and Sustainable Development

We are committed to fulfilling our responsibilities to stakeholders and proactively pursuing shared and sustainable development with stakeholders while striving to contribute to the achievement of the Sustainable Development Goals for 2030.

The outbreak of COVID-19 in 2020 caught everyone off guard. In response, we made full use of 5G, cloud computing, big data and other information and communications technologies in the fight against COVID-19. We secured the lifelines of communications, service and support, contributing to the resumption of work, production and schooling, and helping society return to normal. Immediately after the outbreak, we activated a top-level emergency response to ensure a stable and reliable network for more than 3,000 major hospitals, over 1,000 major disease control centers and over 5,000 government organizations across the country. We provided free mobile services to nearly one million COVID-19 prevention and control personnel and medical staff who were our customers but had fallen behind with their payments. We introduced more than 10 feature services including innovative cloud meetings, online learning and livestreaming to the general public. We took proactive measures to prevent and control the spread of COVID-19 in our daily operations and care for our employees while encouraging them to pay attention to customers' needs. These solid actions helped us protect the lives and well-being of our customers and employees.

In addition, our innovative "Network+" poverty alleviation model based on the "1+3+X" framework has helped a total of 1.08 million people in 13 counties, 12 townships and 1,786 villages rise above the poverty line. We launched various charity campaigns, such as the "Blue Dream" education project, which has provided professional training for more than a cumulative 128,000 primary and secondary school headmasters in rural villages in the Midwest of China. Meanwhile, the "Heart Caring" campaign has saved the lives of 6,574 children with congenital heart disease. We played our part in pollution control, energy saving and emissions reduction to promote green development. The implementation of our "Green Action Plan" continued to help us reduce our carbon footprint. The overall energy consumption per unit of telecommunications business has dropped by 17.6%, moving us closer to our goal of peaking carbon emissions and reaching carbon-neutral operations.

Terminals

Our 4G services based on TD-LTE technology have been developing rapidly, and the quality and value of TD-LTE models continue to improve. Since launching our TD-LTE services, we have focused on the development of multi-mode, multi-band terminals, low-cost TD-LTE terminals and terminals with new technology, as well as self-branded terminals. In 2020, we developed products including set-top boxes, intelligent gateways, intelligent routers and smart cameras and actively developed 5G products such as 5G live broadcast all-in-one machines and 5G medical gateways. In 2021, we will continue to develop 5G devices for the “customer” market and the “business” market, explore new 5G applications and content to bolster our 5G service capabilities and develop smart IoT devices for the “home” market.

Information Systems

Our information systems primarily consist of a network management system, a business support system and a management information system. The network management system collects and processes the operating data from each network, and manages, supervises and controls our networks for safe and efficient operation. The business support system provides day-to-day operational support to each business unit, and is a unified and comprehensive system that enables the sharing of information resources. This system standardizes and integrates each of our sales, billing, settlement and customer service databases in a centralized and orderly manner. The management information system collects and processes our management information and provides support to our management personnel. In addition, this system has computerized and automated our management in finance, inventory, procurement and human resources. Furthermore, we have an internal communications network, which consists of our office automation system, our internal computer network, video conference system, telephone system and others, the combination of which supports our internal communications.

We devote significant resources to telecommunications network security, data security and other security measures to protect our systems and data, such as deploying network protection devices, performing regular security assessments and anonymizing personal data. In recent years, we have led the development of the Security Framework for VoLTE Network Operation and the Code of Practice for Personally Identifiable Information Protection, which have been adopted by ITU Telecommunication Standardization Sector. Our information security projects have been awarded the WSIS Prizes Champion for three consecutive years from 2018 to 2020. We will further strengthen cyber security to provide support for our operations.

Trademark

We hold rights to various trademarks and other intellectual property rights necessary to conduct our business. We actively pursue the filing and registration of trademarks within the mainland of China and abroad.

We market our services under the “CHINA MOBILE” trademark, which is the trademark we use throughout the mainland of China. “CHINA MOBILE” is a registered trademark in the PRC owned by our parent company, CMCC. In December 2017, we entered into a trademark license agreement, or the 2018 Trademark License Agreement, to replace the trademark license agreement that we entered into on January 1, 2013, or the 2013 Trademark License Agreement. Under the 2018 Trademark License Agreement, we and our operating subsidiaries have a non-exclusive right to use the “CHINA MOBILE” trademark in the mainland of China and Hong Kong. The term of the 2018 Trademark License Agreement is five years, effective from January 1, 2018 and expiring on December 31, 2022. No license fee is payable by us to CMCC during the term of the 2018 Trademark License Agreement.

In 2013, we unveiled our new corporate logo. The new logo has been registered as a trademark in the mainland of China, Hong Kong, Macau, Taiwan, Brazil, Brunei, Canada, Chile, Indonesia, Malaysia, Nigeria, United Arab Emirates, Pakistan, Peru, Saudi Arabia, South Africa, Sri Lanka and Yemen, and an application as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks has been approved in 47 countries. In addition, individual applications have been filed in two countries.

Mobile Networks

We offer mobile services using the GSM standard, or the 2G standard, the TD-SCDMA standard, or the 3G standard, the TD-LTE standard, or the 4G standard, the LTE FDD standard, and 3GPP R15 standard, or the 5G standard.

The GSM standard is a pan-European mobile system based on digital transmission and mobile network architecture with roaming capabilities. Each of our GSM networks consists of base stations, base station controllers, mobile switching centers, transmission lines and software applications. We intend to use our GSM network to primarily carry voice usage and certain data traffic from mobile phones. Our GSM networks reach virtually all cities and counties and major roads and highways, as well as a substantial part of rural areas, throughout the mainland of China and, through the network of Hong Kong Mobile, a substantial part of Hong Kong. We operate our 3G business based on an Internet Protocol based core network that is shared by our 2G, 3G, 4G and 5G services as well as the TD-SCDMA network capacity leased from CMCC. TD-LTE is one of two models of LTE and a standard for the evolution of TD-SCDMA technology. We use the TD-LTE network to primarily carry high-bandwidth and high-quality wireless broadband businesses. Furthermore, we continue to grow our content delivery network to cover more areas and expand NB-IoT to achieve end-to-end scale commercial use. On April 3, 2018, the MIIT granted to CMCC permission to operate a LTE FDD business through us. As of March 31, 2021, the number of our 4G customers had reached approximately 788 million.

In addition, we have been providing 4G services in Hong Kong since 2012 with the LTE FDD and TD-LTE bandwidths we previously obtained from the Office of the Telecommunications Authority of Hong Kong.

We have been providing 5G services since November 2019. We have built over 390,000 5G base stations covering all prefecture-level cities, selected counties and key areas in China by the end of 2020. By doing so, we were able to meet network capacity needs during the initial phase of 5G commercialization. We have also promoted the maturity of SA products and industry development. As of March 31, 2021, the number of our 5G package customers had reached approximately 189 million.

Our customers currently use our 2G services, our 3G services, our 4G services, our 5G services or all of them. We intend to continue our network expansion and optimization with an emphasis on improving network utilization and operating efficiency, facilitating a smooth transition between, and integration of, our 2G, 3G, 4G and 5G services, and expanding the coverage and capacity of our integrated network. We believe that we have considerable network operation and maintenance experience and technical expertise. Day-to-day traffic management, troubleshooting, system maintenance and network optimization are conducted by our experienced team of engineers and technicians. Technical staffs are available for emergency repair work 24 hours a day and we employ specialist teams for central maintenance of the networks. Most technical difficulties relating to the networks are resolved by our staff and the maintenance service providers with which we have business relationships, while our equipment suppliers also provide back-up maintenance and technical support. We procure our network equipment and related maintenance and technical support mainly from a number of PRC and overseas telecommunications network equipment manufacturers and suppliers which include Huawei Technologies, ZTE Corporation, Nokia and Ericsson, among others.

Spectrum. A mobile network's capacity is to a certain extent limited by the amount of frequency spectrum available. In coordination with the relevant provincial authorities, the MIIT regulates the allocation of radio frequency. The frequency assigned to an entity is not allowed to be leased or, without approval of the MIIT, transferred by the entity to any other third party. In accordance with a joint circular from the NDRC and the MOF, CMCC has entered into an agreement with us that specifies the amount of fees to be paid to the MIIT for spectrum usage by each mobile network operator based on the bandwidth of the frequency used.

Since July 2017, spectrum usage fees were no longer charged based on different generations of telecommunications but on the particular frequency bands used. Meanwhile, the NDRC and the MOF adjusted the fees charged for each frequency band. The annual rate for frequency band below 960 MHz was reduced from RMB17 million to RMB16 million per MHz while the annual rate for 960 MHz to 2,300 MHz frequency bands was reduced from RMB15 million to RMB14 million per MHz. Additionally, the annual rate for frequency bands above 2,300 MHz was adjusted from RMB12 million to RMB8 million per MHz. No spectrum usage fee was incurred in 2020 for the frequency bands allocated to 5G services.

Our network expansion and optimization plans depend to a large extent upon the availability of sufficient spectrum. In December 2018, the MIIT granted CMCC, our parent company, a permit to use the frequency bands of 2515MHz-2675MHz and 4800MHz-4900MHz for the trial of its 5G system in the mainland of China. We currently provide 5G services on these frequency bands. As directed by the MIIT, China Telecom and China Unicom have ceased to use certain frequency bands that overlap with those allocated to CMCC for its 5G system. For our GSM network, the MIIT has allocated to CMCC a total of 40x2 MHz of spectrum in the 900 MHz and 1,800 MHz frequency bands to be used nationwide for transmission and reception. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 30 MHz of spectrum to be used for nationwide coverage. In connection with our 4G business, CMCC has been approved by MIIT to reform the frequency bands initially allocated to 2G and 3G services to 4G services. Under the existing agreement between CMCC and us, we have the right to use CMCC's allocated frequency spectrum in the mainland of China.

Transmission Infrastructure. The physical infrastructure linking our network components and interconnecting our networks to other networks consists of transmissions lines, which provide the backbone infrastructure through which voice and data traffic is carried. We have directed efforts to establishing high-speed backbone transmission network and improving its overall transmission capabilities. As of December 31, 2020, the bandwidth of our backbone network has expanded by over 40% as compared to December 31, 2019.

Leased Lines. The MIIT determines the standard lease tariffs to be paid by telecommunications operators with respect to the leasing of transmission lines that facilitate interconnection between telecommunications networks. Transmission lines constructed by us reached a sizeable scale through the continuous optimization of our network structure in recent years. In addition to our own transmission lines, we also lease intra-provincial and local transmission lines from other operators and pay them fees based on tariff schedules stipulated by the relevant regulatory authorities after adjusting for the discounts that we have negotiated. For the inter-provincial transmission lines we lease through CMCC from other providers, CMCC collects leasing fees from us and pays fees to the relevant transmission line providers.

Base Stations. In urban areas, our base stations are located mostly on existing structures, typically at the top of tall buildings. In rural areas, masts or towers are often constructed for locating base stations. In 2020, we focused on constructing 4G and 5G base stations and put in use 185,000 additional 4G base stations and 340,000 additional 5G base stations, increasing the total number of stations to 5.1 million.

Equipment Suppliers. We select our principal suppliers from leading international and domestic manufacturers of mobile equipment and in accordance with technical standards set by the MIIT. In 2020, we purchased our networks equipment primarily from Huawei Technologies, ZTE Corporation, FiberHome, Ericsson and Nokia.

Fixed-Line Networks

We operate fixed-line networks which provide extensive coverage in China. These networks are technologically advanced and conducive to the introduction of the next generation fixed-line networks. These networks support a wide range of end-to-end fixed-line telecommunications services and enable customized products to be delivered to meet a variety of telecommunications needs.

Our fixed-line networks consist of broadband Internet and data networks, transmission networks, value-added service platforms, information technology support systems and related infrastructures. Our transmission networks consist primarily of fiber-optic based networks, which cover our major service regions, supplemented by satellite transmission and digital microwave links.

5G Co-construction and Sharing Agreements

In May 2020, we announced that CMCC, our parent company, entered into a collaborative framework agreement in relation to 5G co-construction and sharing (the "5G Collaborative Framework Agreement") with China Broadcasting. Pursuant to the 5G Collaborative Framework Agreement, CMC, our wholly-owned subsidiary, on behalf of its 31 provincial subsidiaries, entered into four specific collaboration agreements with China Broadcasting on January 26, 2021. The duration of collaboration under all four specific collaboration agreements shall be from the date of entering into the agreements to December 31, 2031, divided into the Phase One Collaboration Period and the Phase Two Collaboration Period. The Phase One Collaboration Period refers to the period from the date of entering into the agreements to December 31, 2021 and the Phase Two Collaboration Period refers to the period from January 1, 2022 to December 31, 2031. The terms of the four specific collaboration agreements are summarized as follows.

5G Network Co-Construction and Sharing Collaboration Agreement

The parties shall jointly construct the 700MHz Wireless Network, whereas CMC shall share with China Broadcasting on a paid basis the 2.6GHz Network.

The parties shall jointly invest in the establishment, expansion of capacity as well as upgrade and renovation of the 700MHz wireless network at a ratio of 1:1. The parties shall enjoy ownership in the 700MHz wireless network (including but not limited to base stations, antennas and essential wireless ancillary equipment) as an indivisible integral asset at a ratio of 1:1. The parties shall both have the right to fully use the 700MHz wireless network to provide services to their respective customers.

CMC shall provide to China Broadcasting for use on a paid basis a transmission carrier network linking between 5G base stations with a frequency of 700MHz and China Broadcasting's connection points in prefecture-level cities or provincial centers. The wireless networks of 700MHz and 2.6GHz shall adopt the same shared technical solutions.

5G Network Maintenance Collaboration Agreement

The parties shall possess equal network management rights in respect of the 700MHz wireless network. CMC shall undertake the operation and maintenance work of the 700MHz wireless network, whereas China Broadcasting shall pay to CMC operation and maintenance fees for the 700MHz wireless network.

CMC shall be responsible for the maintenance work of the 700MHz transmission carrier network for use by China Broadcasting on a paid basis. The 700MHz wireless network shall be dual-connected to the respective core networks of the parties, which shall undertake the network maintenance work of their respective self-owned core networks.

The network maintenance work for the 700MHz wireless network and the 700MHz transmission carrier network undertaken by CMC includes areas such as malfunction handling, complaint handling, communication safeguarding, cutover upgrade, wireless optimization and base station inspection.

Market Collaboration Agreement

The market collaboration between the parties shall follow the principle of independence in terms of branding and business operations. During the Phase One Collaboration Period, China Broadcasting may share CMC's 2G/4G/5G networks on a paid basis to provide services to China Broadcasting's customers. During the Phase Two Collaboration Period, China Broadcasting may share CMC's 2.6GHz network on a paid basis to provide services to China Broadcasting's customers. After the large-scale commercialization of the 700MHz wireless network, China Broadcasting shall, in respect of its new customers, in principle no longer share and use CMC's 2G/4G networks.

Apart from the aforesaid business collaboration in terms of network sharing, the parties shall also strengthen their collaboration in areas such as product design, market operations, customer service, content, as well as national and industry standards formulation.

Network Usage Fee Settlement Agreement

China Broadcasting shall pay to CMC network usage fees, including operation and maintenance fees for the 700MHz wireless network, usage fees for the 700MHz transmission carrier network, and usage fees for the 2G/4G/5G networks.

During the Phase One Collaboration Period, the operation and maintenance fees for the 700MHz wireless network and usage fees for the 700MHz transmission carrier network payable by China Broadcasting to CMC shall begin to accrue in the second month after the 5G base stations with a frequency of 700MHz are connected to China Broadcasting's core network or China Broadcasting's designated transmission nodes and shall be charged according to the actual number of base stations.

During the Phase One Collaboration Period, China Broadcasting shall settle with CMC the usage fees for the 2G/4G/5G networks according to the actual network business volume of China Broadcasting's customers in their use of CMC's 2G/4G/5G networks.

During the first five years of the Phase Two Collaboration Period, China Broadcasting shall pay to CMC network usage fees, including operation and maintenance fees for the 700MHz wireless network, usage fees for the 700MHz transmission carrier network, and usage fees for the 2.6GHz network, at the rates negotiated by the parties.

In 2026, the parties shall negotiate and determine in an amicable manner the settlement matters for the second five years of the Phase Two Collaboration Period according to the operation and collaboration conditions during the first five years of the Phase Two Collaboration Period.

Investments and Acquisitions

As of December 31, 2020, Guangdong Mobile, our wholly-owned subsidiary, held an 18.18% equity interest in the issued share capital of SPD Bank. SPD Bank is a joint-stock commercial bank incorporated in the PRC, with its shares listed on the Shanghai Stock Exchange. We and SPD Bank entered into a strategic cooperation agreement in November 2010, pursuant to which we and SPD Bank cooperate in the areas of internet finance and mobile payment businesses in the mainland of China, as well as in the sharing of customer services and channels resources. In January 2016, we renewed our strategic cooperation with SPD Bank and developed an “and-Finance” system to provide SPD Bank and our customers with payment, wealth management and financing services. In October 2019, we subscribed for RMB9,085.3 million (approximately US\$1,305.0 million) in a convertible bond issued by SPD Bank. As of the date of this report, we have not exercised our conversion right under this convertible bond.

In August 2012, CMC, our wholly-owned subsidiary, entered into a share subscription agreement with IFLYTEK, pursuant to which CMC would subscribe for 15% of the shares of IFLYTEK for an aggregate subscription price of RMB1,363,314,339 (approximately US\$218,827,040). The share subscription was completed on April 24, 2013. Concurrent with the share subscription, we and IFLYTEK entered into a strategic cooperation agreement and, in December 2015, renewed the agreement to cooperate in various areas, including smart voice businesses, content-based businesses, customer services, basic telecommunications businesses and informatization of the telecommunications industry and other areas upon the parties’ written agreement. As of December 31, 2020, CMC held approximately 12% equity interest in IFLYTEK.

In June 2014, China Mobile International Holdings Limited, or CMI, our wholly-owned subsidiary, entered into a share subscription agreement with True Corporation, a major national telecommunications provider in Thailand, pursuant to which CMI agreed to subscribe to ordinary shares of True Corporation representing, following the completion of the subscription, 18% of the total issued and outstanding shares of True Corporation, for a total consideration of Baht 28.57 billion (approximately RMB5.51 billion). The subscription was completed in September 2014. Also in June 2014, we entered into a cooperation memorandum, and, in September 2014, we entered into a strategic cooperation agreement with True Corporation to explore business cooperation opportunities in various areas, including products or value-added services or contents, international businesses, network, device procurement, general procurement and human resources. In June 2016, CMI subscribed for certain newly issued ordinary shares which were allocated to it in proportion to its shareholding percentage for a total consideration of Baht 10.8 billion (approximately RMB2.0 billion) during the capital increase of True Corporation. As of December 31, 2020, CMI held an 18.00% equity interest in True Corporation.

In May 2015, CMC, our wholly-owned subsidiary, entered into a partnership agreement with State Development & Investment Corp., Ltd., and China Mobile Fund Management Co., Ltd., to establish China Mobile Fund to make investments in companies with growth potential which are engaged in the mobile Internet and related upstream and downstream businesses. Pursuant to such partnership agreement, CMC made a capital commitment of RMB1,500 million (approximately US\$231.6 million) and became a limited partner of China Mobile Fund. As of December 31, 2020, CMC had contributed RMB1,256 million to China Mobile Fund and had a commitment to make further investment in an amount of RMB244 million upon the request by China Mobile Fund.

In November 2015, CM Tietong, our wholly-owned subsidiary, acquired Target Assets and Businesses of China Tietong, for a final consideration of RMB31,967 million (approximately US\$4,934.9 million). Target Assets and Businesses acquired include approximately 99,000 cable kilometers of nationwide backbone networks, approximately 1,822,000 cable kilometers of metro fiber, approximately 24.71 million IPv4 addresses, 1,814 real properties and 685 land assets, approximately 11.98 million customers of fixed broadband services, and approximately 18.29 million customers for wireline services. The acquisition was completed in December 2015. Because we and Target Assets and Businesses were under common control of CMCC both prior to and after the acquisition, the acquisition was considered as a business combination under common control and was accounted for using merger accounting in accordance with AG 5 issued by the HKICPA. Target Assets and Businesses were stated at their historical cost, and were included in the consolidated financial statements included in this annual report on Form 20-F as if Target Assets and Businesses had always been part of our company during all the periods presented. In 2020, partially due to the benefit from the integration and synergy brought by CM Tietong, our wireline broadband services experienced a rapid growth in both revenue and market share. See “—Businesses—Data Business.” We expect that our acquisition of Target Assets and Businesses will further facilitate our transformation into a full-service operator offering both wireline broadband and mobile services, enable us to seize the opportunities in the wireline broadband market, expand our customer base, offer an integrated services consisting of the fixed-line and the mobile services, and increase our wireline broadband network capacity, coverage and efficiency through an integrated network.

In March 2016, CMC, our wholly-owned subsidiary, entered into a joint venture agreement with China Merchants Group to establish ShiJinShi in Qianhai, Shenzhen of China with a registered capital of RMB300 million, in which we held a 42% equity interest. As of December 31, 2020, we had contributed RMB63.0 million (approximately US\$9.2 million) to the joint venture. The joint venture was intended to provide credit reporting services and products for individuals, utilizing our competitive strengths in big data. In March 2020, the shareholders of ShiJinShi resolved to dissolve the joint venture primarily due to its failure to obtain the requisite license for the provision of credit reporting services and products for individuals. As of the date of this annual report, ShiJinShi is undergoing liquidation.

In November 2017, CMI Holdings, our wholly-owned subsidiary, entered into an agreement, pursuant to which it acquired an 11.43% equity interest in ChannelSoft, a software service provider, for a total consideration of RMB400 million (approximately US\$61 million). Following our equity investment, ChannelSoft began working with our provincial operating subsidiaries in call center infrastructure and big data-driven precision marketing.

In July 2018, CMI, our wholly-owned subsidiary, participated in Xiaomi's initial public offering as a cornerstone investor and subscribed for 46,164,600 shares, representing 0.2% of Xiaomi's issued and outstanding share capital upon the completion of the offering, for a total consideration of HK\$784.8 million. In July 2018, we entered into a strategic cooperation framework agreement with Xiaomi to explore new opportunities to collaborate, including in joint marketing, sales channel transformation, smart hardware, government and corporate businesses, overseas businesses, and industrial investment. As of December 31, 2020, CMI held a 0.15% equity interest in Xiaomi.

In 2019, we made several strategic investments in addition to the subscription for the convertible bond issued by SPD Bank, including (i) the subscription and acquisition by CMI Holdings, our wholly-owned subsidiary, of 12.0% equity interest in Beijing Haitian Ruisheng Science Technology Co., Ltd., at a total consideration of RMB234.7 million, to cooperate in human-annotated datasets for machine learning and artificial intelligence, (ii) the acquisition by CMI Holdings of 0.7% equity interest in Beijing Kingsoft Office Software, Inc., at a consideration of RMB147.5 million, to jointly develop SAAS products, (iii) the subscription by China Mobile Group Fujian Co., Ltd., our wholly-owned subsidiary, of 45% equity interest in Fujian Heyi Health Technology Development Co., Ltd., at a consideration of RMB22.5 million, to jointly develop intelligent senior care platforms and (iv) the subscription by China Mobile Group Xinjiang Co., Ltd., our wholly-owned subsidiary, of 16.0% equity interest in Xinjiang Digital Corps Information Industry Development Co., Ltd., at a consideration of RMB16.0 million, to explore digitalization across various industries in Xinjiang.

In 2020, our strategic investments include (i) the subscription by CMI of 182,259,893 shares newly issued by AsiaInfo Technologies Limited, a provider of telecommunications software and related services listed on the Hong Kong Stock Exchange (stock code: 1675), at a total consideration of HK\$1,385.2 million, (ii) the acquisition by CMI Holdings of 0.72% equity interest in Huaqin Technology Co., Ltd., a company principally engaged in the original design and manufacturing of intelligent communication terminals, (iii) the acquisition by China Mobile Group Henan Co., Ltd., our wholly-owned subsidiary, of 30% equity interest in Zhengshu Network Technology Co., Ltd. at a total consideration of RMB300.0 million, (iv) the acquisition by China Mobile FinTech of 50% equity interest in Haida Insurance Brokerage Co., Limited at a total consideration of RMB55.4 million and (v) the acquisition by China Mobile Group Zhejiang Co., Ltd., our wholly-owned subsidiary, of 24% equity interest in Zhejiang New-type Internet Exchange Point Co., Ltd. at a total consideration of RMB24.0 million.

Competition

We compete with other market players in the telecommunications and related industries.

We are one of the four licensed telecommunications services providers in the mainland of China. The PRC government encourages orderly and fair competition in the telecommunications industry in the mainland of China. We face intense competition from existing operators from time to time. Our competitors launch, from time to time, promotional offers to attract customers.

In the area of basic telecommunications services, the PRC government allows operators approved by the MIIT to lease and repackage mobile services for sale to end-customers and we face increasing competition from these new mobile network operators. In light of our recent permission to provide 4G services based on LTE FDD technology, we expect that the competition will intensify in the delivery of 4G services against China Telecom and China Unicom, which operate their 4G services based mainly on LTE FDD technology for several years. Further, in January 2016, China Telecom and China Unicom entered into a strategic cooperation agreement to promote resource-sharing between the two companies. The areas of strategic cooperation include sharing capital expenditures such as their new rural 4G network, promoting a new smartphone standard, and jointly negotiating international roaming rates. Moreover, China Telecom collaborated with CUCL, a wholly-owned subsidiary of China Unicom, in 2019 to roll out 5G network co-building and co-sharing, which enables them to leverage on their mutually complementary network and spectrum resources to save costs on network construction, operation and maintenance. Additionally, the PRC government has required the implementation of mobile number portability programs in the mainland of China by the end of 2019. As a result, the competition among telecommunication operators may be further intensified.

Moreover, on June 6, 2019, the MIIT granted the basic telecommunications service operating permit for 5G digital cellular mobile service to CMCC, our parent company, China Broadcasting Network and the parent companies of China Telecom and China Unicom, which is expected to intensify the competition among the four telecommunications services providers with respect to the planning and promotion of 5G development and commercialization. See “ — We may encounter difficulties and challenges in the commercialization of 5G technologies.”

We also face a variety of competition from competitors in related industries, generally Internet service providers and technology companies. They compete against us in both voice and data businesses by offering mobile Internet access and Over The Top services, such as instant messaging, VoIP services, or audio or video content services delivered over the Internet. As we diversify our offerings to become a full-service provider, we also compete with them in emerging business, including home digital services, mobile payment, IoT, smart home services, streaming media and on-demand video and other digital content business.

See “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — The increasing competition from other telecommunications services providers and competitors in related industries and changes in the competitive landscape of the telecommunications industry in the mainland of China may reduce our market share and decrease our profit margin” and “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could adversely affect our competitiveness or enhance competition in the telecommunications industry.”

Regulation

The telecommunications industry in the mainland of China is highly regulated. See “Item 3. Key Information – Risk Factors – Risks Relating to the Telecommunications Industry in the mainland of China – We are subject to extensive government regulation and any change in the regulatory environment in the PRC, especially with respect to the telecommunications industry, may materially impact us.” for a description of the effects government regulations may have on our business. Regulations issued or implemented by the State Council, the MIIT and other relevant government authorities, including the NDRC and, the Ministry of Commerce, or MOFCOM, encompass all key aspects of telecommunications network operations, including entry into the telecommunications industry, scope of permissible business, interconnection and transmission line arrangements, technology and equipment standards, tariff standards, capital investment priorities, foreign investment policies and spectrum and numbering resources allocation.

The MIIT, under the supervision of the State Council, is responsible for formulating policies and regulations for the telecommunications industry, granting telecommunications licenses, allocating frequency spectrum and numbers, formulating interconnection and settlement arrangements between telecommunications operators, and enforcing industry regulations.

In order to provide a uniform regulatory framework to encourage the orderly development of the telecommunications industry, the MIIT, under the direction of the State Council, has been preparing a draft telecommunications law. We expect that, if and when the telecommunications law is adopted by the National People’s Congress, it will become the basic telecommunications statute and the legal source of telecommunications regulations in the mainland of China. In addition, the State Council promulgated a set of telecommunications regulations on September 25, 2000. These regulations apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will have a positive effect on the overall development of the telecommunications industry in the mainland of China, we cannot predict what will be the ultimate nature and scope of the telecommunications law.

On December 25, 2015, the MIIT issued the Catalog of Telecommunications Services (2015 Edition), which became effective on March 1, 2016. It sets out classifications of various telecommunications services for regulatory and licensing purposes.

Entry into the Industry. Under the current regulations, operators of mobile networks, providers of other basic telecommunications services such as local and long-distance fixed-line telephone services, and data service providers whose telecommunications services cover two or more provinces, directly-administered municipalities or autonomous regions in the mainland of China must apply for specific permits from the MIIT in order to provide such services. Granting of permits for providing basic telecommunications services will be through a tendering process. In addition to us, China Telecom and China Unicom are currently also authorized to provide mobile services in all provinces, directly-administered municipalities and autonomous regions in China.

Pursuant to China's commitments under the World Trade Organization and the Provisions on the Administration of Foreign-Funded Telecommunications Enterprises, which became effective on January 1, 2002, foreign investors may invest in joint ventures that provide telecommunications services in the mainland of China. However, these investments will presumably bear no direct relation to the issuance of licenses to providers of telecommunications services in the mainland of China, as the issuance of new licenses by the relevant authority is governed by a separate set of rules and regulations. Pursuant to the Provisions on the Administration of Foreign-Funded Telecommunications Enterprises, as amended in February 2016, foreign ownership in a telecommunications enterprise may be gradually increased to 49% if such enterprise provides basic telecommunications services and 50% if such enterprise provides value-added telecommunications services.

The MIIT has promulgated the Administrative Measures for the Licensing of Telecommunication Business Operations, which became effective on September 1, 2017. Those regulations apply to the application for, approval of, use and management of telecommunications business licenses in the PRC.

The PRC government implemented a number of measures that permit certain operators approved by the MIIT to lease telecommunications infrastructure and repackaging mobile services for sale to end-customers. On May 17, 2013, the MIIT announced that it would accept applications from non-State-owned companies to, on a trial basis, lease mobile services from China Telecom, China Unicom or us and provide mobile services to end-customers after repackaging these services. The trial period ended on December 31, 2015. On January 24, 2018, the MIIT released a notice for public comment regarding the conversion of pilot license to an official license for the mobile services leasing and repackaging. On May 5, 2016, the MIIT officially issued a telecom license to China Broadcasting Network, making it the nation's fourth telecommunications operator. In 2016, the MIIT also approved certain operators to reform their respective frequency spectrum used for 2G and 3G services to provide 4G services. Since May 1, 2018, subject to MIIT's approval, non-state-owned companies, state-owned companies and foreign invested enterprises are allowed to lease mobile services from China Telecom, China Unicom or us and provide mobile services to end-customers after repackaging these services.

Numbering Resources. The MIIT is responsible for the administration of the telecommunications numbering resources within the mainland of China, including the telecommunications network numbers and customer numbers. The use of numbering resources by any telecommunications operator is subject to the approval by the MIIT. In addition, a user of numbering resources is required to pay a usage fee to the PRC government by the 10th day of the first month of each quarter. Moreover, under the applicable regulations, mobile companies are required to pay an annual usage fee of RMB6 million for each network number.

Technical Standards. Certain regulatory authorities in the mainland of China, including the MIIT, set technical standards and control the type, quality, manufacturing and sales of mobile equipment used in or connected to public networks, all radio telecommunications equipment and all interconnection related equipment.

The establishment of base stations requires the approval of the relevant provincial regulatory authorities. We have not experienced and do not expect to experience material difficulty in obtaining permission to establish additional sites.

Capital Investment. We may be required to obtain approvals from relevant regulatory authorities in the mainland of China with respect to some of our investment projects.

Sharing of Telecommunications Infrastructure. In June 2018, the MIIT and the State-owned Assets Supervision and Administration Commission of the State Council jointly issued the 2018 Implementation Opinions on Promoting the Joint Construction and Sharing of Telecommunications Infrastructure, or the Opinions. First, the Opinions continued the implementation of the joint construction and sharing of telecommunications infrastructure and required that the supporting facilities for base stations, such as the telecommunications towers, and the indoor distribution systems for public transportation and buildings, shall generally be uniformly planned, constructed and delivered by China Tower, with the exception that certain facilities may be constructed by a telecommunications operator if serving only such operators' demand. The Opinions also provided requirements for joint construction and sharing of broadband access network, transmission poles and pipelines. In particular, for new transmission poles and pipelines, joint construction is mandatory if condition permits, and for existing transmission poles, pipelines, base station areas and access network of base stations and international fibers, sharing should be strictly implemented. Moreover, the Opinions attached significant importance to the construction safety in connection with telecommunications infrastructure and set up relevant principles.

Convergence of Telecom, Broadcasting and Internet Businesses. In January 2010, the PRC government announced a policy decision, or the Three-Network-Convergence Policy, to accelerate the advancement of the convergence of television and radio broadcasting, telecommunications and Internet access businesses in order to realize interconnection and resource-sharing between the three networks and further develop the provision of voice, data, television and other services. The PRC government may amend the relevant regulations or promulgate new regulations in order to implement the Three-Network Convergence Policy. In September 2012, we received an audio and video transmission license from the former State Administration of Radio, Film and Television of the PRC, or SARFT, which enables us to provide audio and video programs through broadband Internet and mobile Internet. In June 2018, we were granted by the SARFT an Internet protocol television transmission license, which allows us to carry out Internet protocol television business.

Value-added Tax Reform Applicable to the Telecommunications Industry. Effective from June 1, 2014, the PRC business tax was replaced with a value-added tax, or VAT, in the telecommunications industry. The pilot tax rates for basic telecommunications services, value-added telecommunications services and sales of products and others were 11%, 6% and 17%, respectively. According to Cai Shui [2018] No.32, the VAT at the rate of 11% applicable to our basic telecommunications services was reduced to 10%, and the VAT at the rate of 17% applicable to our sales of products and others was reduced to 16%, which came into effect on May 1, 2018. On March 20, 2019, the MOF, the State Taxation Administration, and the General Administration of Customs issued Announcement [2019] No. 39, which reduced the VAT rate applicable to our basic telecommunications services from 10% to 9% and the VAT rate applicable to our sales of products and others from 16% to 13% as well as promulgated supporting policies regarding input tax on real estate, input tax on domestic passenger transport services, VAT credits and tax refund to deepen such VAT tax reform. Announcement [2019] No. 39 came into effect on April 1, 2019.

Our output VAT is excluded from operating revenue while our input VAT, which is incurred as a result of our receipt of services and purchases of telecommunications equipment and materials, is excluded from operating expenses or the original cost of equipment purchased and can be netted against our output VAT, arriving at the net amount of VAT recoverable or payable. As the VAT obligations are borne by our branches and subsidiaries, input and output VAT are set off at branches and subsidiaries levels, and the net amount of VAT recoverable or payable of branches and subsidiaries are not offset at the consolidation level. Such net amount of VAT is recorded in the line item of prepayments and other current assets and accrued expenses and other payables, respectively on the face of consolidated balance sheets.

Cyber Security. We are subject to the Cyber Security Law, which came into effect on June 1, 2017. The Cyber Security Law sets forth an overarching framework regulating the network products, equipment, and services, as well as the operation and maintenance of information networks, protection of personal information, and supervision and administration of cyber security in the mainland of China.

According to the Cyber Security Law, the Cyberspace Administration of China, or the CAC, has a central role in planning, coordination, supervision, and management of network security measures while the MIIT, the Ministry of Public Security and other relevant authorities are in charge of network security protection, supervision and management within the scope of their respective responsibilities. While several related regulations, including the Measures for the Security Review of Network Products and Services (for Trial Implementation) and the Provisions for the Administration of Internet News Information Services, published by the CAC came into effect on the same day as the Cyber Security Law, the implementation of the Cyber Security Law is still at an early stage. In furtherance of the Cyber Security Law, the PRC government also published “Information Security Technology—Personal Information Security Specification” in 2018, setting forth detailed guidelines on the collection, utilization and retention of personal information and privacy protection, and “Identification Methods for Illegal Collection and Use of Personal Information by Apps” in 2019, stipulating standards for determining illegal acts of collecting and using personal information through mobile applications. The PRC government may amend the relevant regulations or promulgate new regulations to clarify and further implement the Cyber Security Law. Although we expect that the Cyber Security Law will have a positive effect on the overall development of the telecommunications industry and enhance information protection in the mainland of China, we currently cannot predict the scope of any specific requirements that may be imposed on us and their implications for our operations under the Cyber Security Law and relevant regulations.

E-Commerce Law. Effective from January 1, 2019, the E-Commerce Law of the PRC, or the E-Commerce Law, stipulates requirements in connection with the registration and licensing of e-commerce operators, taxation, electronic payment and e-commerce dispute resolution. It also addresses other important aspects of e-commerce, such as false advertising, consumer protection, data protection and cybersecurity, as well as the protection of intellectual property. The E-Commerce Law defines e-commerce operators as natural and legal persons that engage in the business of selling merchandise and/or providing services on the internet or other information networks and covers e-commerce platform operators, vendors of goods and services on the e-commerce platforms of others, and those who operate their self-built websites or through other network services. The E-Commerce Law provides that where e-commerce platform operators know, or should know, that goods or services provided on the platform do not comply with requirements for personal or property security, or otherwise violate the lawful rights and interests of consumers, and they do not take necessary measures such as deleting, blocking links or stopping transactions, they will be jointly and severally liable with the online vendor.

Market Regulation. The principal regulations governing the market in China include the PRC Anti-Unfair Competition Law, which was promulgated in September 1993 and amended in November 2017, and the PRC Anti-Monopoly Law, which took effect in August 2008. The PRC Anti-Unfair Competition Law imposes stringent requirements on various promotional activities, such as prize-giving sales and bundling sales. Pursuant to the PRC Anti-Monopoly Law, monopolistic conduct, including entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition, is prohibited. Sanctions for violation of the prohibition on monopoly agreements and the abuse of dominant market position include an order to cease the relevant activities, confiscation of illegal gains and fines, while for failure of declaration prior to concentration, the antitrust authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses and impose fines.

Employees.

As of December 31, 2018, 2019 and 2020, we had 459,152, 456,239 and 454,332 employees, respectively. Substantially all of our employees are located in the mainland of China. The employees as of December 31, 2020 are classified in the following table. Approximately 74.2% of our permanent employees have college or graduate degrees. Set forth below is a breakdown of our employees by function as of December 31, 2020:

	<u>Number</u>	<u>% of Total</u>
Management	34,427	7.6
Technical	132,051	29.1
Marketing	232,717	51.2
General affairs	48,659	10.7
Other	6,478	1.4
Total	<u>454,332</u>	<u>100.0</u>

We provide benefits to certain employees, including housing, retirement benefits and hospital, maternity, disability and dependent medical care benefits. See note 6 to our consolidated financial statements included in this annual report on Form 20-F for details of our employee benefit and related expenses, including contributions to defined contribution retirement plans. Most of our employees are members of a labor union. We have not experienced any strikes or labor disputes that have interfered with our operations during 2020. We believe we have built a harmonious relationship with our employees.

The number of labor sourced by third parties was 29,647 by the end of 2020.

Property, Plants and Equipment

We own, lease or have usage rights in various properties which consist of land and buildings for offices, administrative centers, staff quarters, retail outlets and technical facilities in the mainland of China and Hong Kong. We believe that all of our owned and leased properties are well maintained and are suitable and adequate for our present use.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) of the Exchange Act requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable non-U.S. law, and whether or not the activities are sanctionable under U.S. law.

As of the date of this report, we are not aware of any activity, transaction or dealing by us or any of our affiliates in 2020 that requires disclosure in this report under Section 13(r) of the Exchange Act, except as set forth below.

CMCC, our parent company, is a party to international GSM roaming agreements with Telecommunication Kish Company and Mobile Company of Iran in Iran, which may be government-controlled entities. China Mobile International, one of our wholly-owned subsidiaries, is a party to international roaming agreements with Irancell Telecommunications Services Company and Mobile Company of Iran in Iran, which may be government-controlled entities. CMCC is also a party to international GSM roaming agreements with Syriatel Mobile Telecom S.A. and MTN Syria (formerly Spacotel Syria) in Syria. As part of our ordinary telecommunications services, these international roaming agreements allow our mobile customers to use their mobile devices on a network outside their home network. In 2020, our gross revenue generated by roaming traffic under these agreements was less than US\$500,000.

China Mobile International intends to, and we understand that CMCC intends to, continue these activities in the future.

Item 4A. Unresolved Staff Comments.

Not applicable.

Item 5. Operating and Financial Review and Prospects.

You should read the following discussion and analysis in conjunction with our consolidated financial statements, together with the related notes, included elsewhere in this annual report on Form 20-F. We publish our consolidated financial statements in Renminbi. Solely for the convenience of the reader, this annual report on Form 20-F contains translations of certain Renminbi and Hong Kong dollar amounts into U.S. dollars and vice versa at RMB6.5250 = US\$1.00 and HK\$7.7534 = US\$1.00, the noon buying rates in New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020. The noon buying rates in New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York are published on a weekly basis in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States. These translations should not be construed as representations that the Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at such rates or at all.

Financial Highlights

Our operating revenue reached RMB768,070 million (US\$117,712 million) in 2020, of which, revenue from our telecommunications services amounted to RMB695,692 million. Our revenue structure further improved in 2020. Revenue from wireless data traffic reached RMB385,679 million (US\$59,108 million) in 2020, which remained our largest revenue source. Our profit attributable to equity shareholders reached RMB107,843 million (US\$16,527 million) in 2020, or basic earnings per share of RMB5.27. The total dividend payment for 2020 reached HK\$3.29 per share.

Overview of Our Operations

The following table sets forth selected information about our operations for the periods indicated.

	Year ended December 31,		
	2018	2019	2020
Total voice usage (in billions of minutes)	3,485.2	3,224.8	3,032.4
Handset data traffic (in billions of gigabytes)	34.62	65.89	90.66
Operating revenue (in RMB millions)	736,819	745,917	768,070
Operating expenses (in RMB millions)	615,432	632,768	655,336
Profit attributable to equity shareholders (in RMB millions)	117,781	106,641	107,843

There was a decrease of 8.4 million in the number of our mobile customers in 2020 and our total mobile customer base was 942 million as of December 31, 2020. Our total voice usage decreased by 7.5% in 2019 and further decreased by 6.0% in 2020. Our handset data traffic increased by 90.3% in 2019 and by 37.6% in 2020. Our operating revenue increased by 1.2% in 2019 and increased by 3.0% in 2020. Our data business continued to grow, and our data services revenue accounted for 83.8% and 85.8% of our revenue from telecommunications services in 2019 and 2020, respectively. Our operating expenses increased by 2.8% in 2019 and increased by 3.6% in 2020. Our profit attributable to equity shareholders decreased by 9.5% in 2019 and increased by 1.1% in 2020.

The PRC economy continued to grow in terms of GDP by 2.3% in 2020, which provided a favorable environment for our continued business development. However, we faced various challenges arising from increased market saturation and intensified competition among mobile operators and from providers offering telecommunications services using alternative technologies, in particular Internet service providers. As the mobile penetration rate in the mainland of China reached 113.9% as of December 31, 2020, the mobile markets in some economically developed regions of the mainland of China have showed signs of saturation. We intend to continue to cope with market and industry challenges that may arise from time to time by leveraging our customer base, network quality, brand name, execution capabilities and quality of our customer service. Moreover, economic growth in the PRC and its modernization and urbanization offer an opportunity and platform for the ongoing development of the telecommunications industry, in particular the development of mobile Internet. Such development presents potential opportunities for us to further develop our wireless data traffic business and applications and information services.

We have been a telecommunications and related services provider in China since our inception in 1997. We acquired all of the issued and outstanding shares of Hong Kong Mobile in 2006, which enabled us to expand into the Hong Kong mobile market. See “Item 4. Information on the Company — The History and Development of the Company — Expansion Through Acquisitions.”

We operate in an extensively regulated environment and our operations and financial performance are significantly affected by the PRC government’s regulation of the telecommunications industry. These regulations and policies may affect, among other things, our tariffs, technology and equipment standards and capital investment, as described in more detail under “Item 4. Information on the Company — Business Overview — Regulation” and “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — Our tariff reduction and future policy developments in the telecommunications industry in relation to tariff reduction may continue to adversely affect our financial conditions.” In addition, we believe that the effects of the industry restructuring that took place in 2008, increasing competition from telecommunications services providers that use alternative technologies and entry of non-State-owned telecommunications services providers into the telecommunications services market have had, and will continue to have, a significant impact on the competitive landscape of the telecommunications industry in the mainland of China. We expect competition from other telecommunications services providers may intensify. See “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — The increasing competition from other telecommunications services providers and competitors in related industries and changes in the competitive landscape of the telecommunications industry in the mainland of China may reduce our market share and decrease our profit margin,” “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — Changes in the technologies and business models of the telecommunications industry may render our current technologies and business model obsolete, and we may encounter difficulties and challenges in developing and implementing new technologies and services” and “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could adversely affect our competitiveness or enhance competition in the telecommunications industry.” Our financial performance is also subject to the economic and social conditions in the mainland of China. See “Item 3. Key Information — Risk Factors — Risks Relating to the mainland of China — An economic slowdown in the mainland of China may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects.”

Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results

We have entered into agreements with CMCC with respect to, among other things, inter-provincial transmission lines leasing. Pursuant to these agreements, for the inter-provincial transmission lines we lease from other providers through CMCC, CMCC maintains its inter-provincial transmission line leasing arrangements with the relevant transmission line providers, and collects leasing fees from us and pays fees to the relevant transmission line providers.

On September 13, 2012, we entered into an agreement with CMCC, pursuant to which CMCC would gradually transfer its settlement arrangements with certain telecommunications services providers in foreign countries and regions to China Mobile International, our wholly-owned subsidiary. As a result, our arrangement with CMCC with respect to international interconnection and roaming with certain telecommunications services providers is being gradually phased out.

We have also entered into a telecommunications services cooperation agreement with CMCC, pursuant to which we and CMCC provide customer development services to each other by utilizing our respective sales channels and resources, and cooperate in the provision of basic telecommunications services and value-added telecommunications services to customers of each other.

Since 2013, we have paid the leasing fees to CMCC for the “Village Connect” assets constructed before 2013 and undertaken the investments on any new “Village Connect” assets after 2013. On August 9, 2019, certain of our provincial subsidiaries entered into assets transfer agreements with the relevant provincial subsidiaries of CMCC to acquire certain “Village Connect” assets.

We have also entered into a network capacity leasing agreement with CMCC, pursuant to which we and our operating subsidiaries lease TD-SCDMA network capacity from CMCC and pay leasing fees to CMCC. We have also entered into a network assets leasing agreement with CMCC, pursuant to which we and CMCC will lease our respective telecommunications network operation assets to each other for a leasing fee. In addition, we have entered into a telecommunication facilities construction services agreement with CMCC, pursuant to which we provide certain telecommunications services to CMCC and its subsidiaries.

While the total volume of transactions under the foregoing operating arrangements with CMCC has decreased in recent years, these arrangements may continue to affect our future financial results. See “Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions” for further information about these arrangements.

Tariff Adjustments

The tariffs charged by PRC telecommunications operators are regulated by the PRC government. Moreover, we are allowed to offer our customers a variety of tariff packages with different monthly charges, levels of basic usage and charges for usage exceeding the covered basic usage, voice value-added services, data services and other features. See “Item 4. Information on the Company — Business Overview — Tariffs.”

Our average voice services revenue per minute has generally decreased in recent years as tariffs have generally decreased.

Average Revenue Per User

Our average revenue per mobile user per month decreased by 3.5% from RMB49.1 in 2019 to RMB47.4 in 2020 due to increased competition among telecommunications operators and a decline in handset data traffic tariff, while the same decreased by 7.5% from 2018 to 2019. Our average revenue per wireline broadband user per month increased to RMB34.0 in 2020 from RMB32.8 in 2019 as a result of upgrades in bandwidth and new value-added applications.

Critical Accounting Policies and Estimates

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with IFRSs for the years ended December 31, 2018, 2019 and 2020. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and revenues and expenses during the years reported. Estimates are also used when accounting for certain items such as revenue recognition, interest income, impairment loss on accounts receivable, depreciation, impairment of property, plant and equipment, investments accounted for using the equity method, goodwill, right-of-use assets and other intangible assets. Actual results may differ from those estimates under different assumptions or conditions.

We believe that the following critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies have a more significant impact on our consolidated financial statements, either because of the significance of the financial statement elements to which they relate or because they require judgment and estimation.

Revenue Recognition

The Group mainly provides voice, data and other telecommunications services to its customers through entering into contracts that are either cancellable on monthly basis or for a fixed contract period generally with prepayment term and/or penalty for early termination. The Group also sells telecommunication-related products to its customers.

For the telecommunications services (such as voice and data services), telecommunication related products (such as handsets), customer point rewards and/or other promotional goods/services provided by the Group, if the customer can benefit from the goods or services and the Group's promise to transfer the services or products is separately identifiable, the Group identifies them as separate performance obligations. Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled in exchange for transferring promised performance obligations to the customer excluding amounts collected on behalf of third parties. The amount of consideration is generally explicitly stated in the contract and does not include significant financing component. The Group may provide cash subsidies to third party agents in respect of specific telecommunications service contracts obtained via the agents. As the cash subsidies are ultimately enjoyed by end customers via the indirect sales channel, they represent consideration payable to customers and are accounted for as a reduction of the transaction price.

When control of a service or product is transferred to a customer, revenue is generally recognized in profit or loss as follows:

(i) Revenue for each performance obligation is recognized when the Group satisfies the performance obligation by transferring the promised goods or services to the customer. Generally, revenue is recognized when the customer obtains the control of the telecommunications services over the time of provision of the services. Revenue is recognized when a customer obtains the control of the product at a point of time.

(ii) For contracts which include the provision of multiple performance obligations including services, products and/or customer point rewards, the Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. The stand-alone selling price of products and services are mainly based on its observable selling price. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available and maximizes the use of observable inputs to estimate the stand-alone selling price. The stand-alone selling price of each point in the customer point rewards is based on its fair value. Revenue for each performance obligation is then recognized when the control of the promised goods or services is transferred to the customer.

(iii) The Group usually controls the services and the products it provided before they are transferred to the customer. In certain situations, the Group would consider factors including the primary responsibilities in the arrangement, the establishment of selling price, and the inventory risks to determine if the Group is acting as a principal or agent. If the Group has assessed and concluded that it does not obtain the control of a specified good before transferring to the customer, the Group is acting as agent in satisfying a performance obligation, and the revenue is recognized in the net amount of any fee or commission to which it expects to be entitled from another party.

The Group has both pre-paid and post-paid customers for its goods and services provided. Contract assets primarily relate to the Group's rights to consideration for products or services provided to the customers but for which the Group does not have an unconditional right at the reporting date. In the post-paid contract, contract asset is created, which represents the difference between the amount of products revenue recognized upon sale of products or provision of service and the amount of consideration received/receivable from the customer. The contract asset is reclassified to accounts receivable as services are provided and billed. Contract liabilities arise when the Group receives consideration in advance of providing the goods or services promised in the contract. Contract liabilities are presented in deferred revenue on the consolidated balance sheet. The contract assets and the contract liabilities are classified as current and non-current portions based on their respective recovery or settlement periods. Non-current portion of contract assets are presented in other non-current assets.

Incremental costs incurred to obtain a contract, which mainly comprise sales commissions payable to third party agents, are amortized on a systemic basis that is consistent with the transfer to the customer of the goods or services to which the costs incurred to obtain a customer contract relates over the expected duration of the contract and recorded in selling expense, if it is expected to be recovered. When the expected amortization period is one year or less, the Group utilizes the practical expedient and expenses the costs as incurred. Capitalized incremental costs incurred to obtain a contract is recorded as other non-current assets.

Cost incurred to fulfill a contract represents the cost directly related to the Group's telecommunications service contracts which are not within the scope of another accounting standard. The amount is amortized on a systemic basis that is consistent with the transfer to the customer of the goods or services to which the costs incurred to fulfill a customer contract relates over the expected duration of the contract and recorded as network operation and support expenses, if it is expected to be recovered. Capitalized cost incurred to fulfill a contract is recorded as other non-current assets based on its amortization period.

Interest Income

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

Impairment Loss for Accounts Receivable

From January 1, 2018, the impairment loss allowance of accounts receivable is based on assumptions about risk of default and expected loss rates. We assess these assumptions and select the inputs to the impairment calculation, based on past history, existing market conditions as well as forward looking estimates at each balance sheet date.

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. We review the estimated useful lives and residual values of our assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. We determine the useful lives and residual values of our assets based on our historical experience with similar assets, expected usage of the assets and anticipated technological changes with respect to those assets. Estimates and assumptions used in setting depreciable lives require both judgment and estimation. Our policies regarding accounting for these assets are set forth in note 2(g) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Impairment of Property, Plant and Equipment, Goodwill, Right-of-use Assets, Other Intangible Assets and Investments Accounted for Using the Equity Method

Our property, plant and equipment comprise a significant portion of our 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, right-of-use assets, other intangible assets subject to amortization and investments accounted for using the equity method are reviewed at least annually to determine whether there is any indication of impairment. The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. In addition, for goodwill and other intangible assets that have 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 its 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 judgment relating to level of revenue and amount of operating costs. We use 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. No significant impairment of property, plant and equipment, investment accounted for using the equity method, goodwill and other intangible assets was recorded in 2018, 2019 and 2020. Details are set forth in notes 15, 21 and 19, respectively, to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Estimates and assumptions used in testing for recoverability require both judgment and estimation. Our policies regarding accounting for these assets and assessing their recoverability are set forth in note 2(j) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Lease

We applied IFRS 16 from its mandatory adoption date of January 1, 2019. Other than land use right, we primarily lease telecommunications towers, buildings and premises and other network equipment. Lease contracts are typically for fixed periods with no extension options.

Lease liabilities are initially measured on the present value of unpaid lease payments at the commencement date. Lease payments include the net present value of fixed payments, variable lease payments that are based on an index or a rate, residual value guarantees payments, lease payments to be made under reasonably certain extension options and payments of penalties for terminating the lease. As the interest rate implicit in the lease cannot be readily determined, we use incremental borrowing rate as the discounted rate for calculating the present value of lease payments. When determining the incremental borrowing rate, we make adjustments on risk-free interest based on lease term and credit risk for leases, as we do not have recent third party financing. Lease payments are allocated between principal and finance cost. We calculate lease liability interests based on a constant periodic rate, which is charged to profit or loss as finance cost over the lease period.

Our right-of-use assets are measured at cost, which includes the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, initial direct costs and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Prior to December 31, 2018, we followed the guidance of "IAS 17 – Leases" to determine the classification of leases as operating leases versus finance leases. Significant judgments and assumptions are required in the assessment of the classification. The determination of classification depends on whether the lease transfers substantially all the risks and rewards of the assets to us. In particular, during the assessment, the management estimates (i) economic lives of lease assets, (ii) the discount rate used in the calculation of present value of minimum lease payments, and (iii) the fair value of the leased assets. Any future changes to these judgments or assumptions will affect the classification and hence the results of operation and financial position of us.

Possible Impact of Amendments, New Standards, Interpretations and Disclosures Issued but Not Yet Effective or Mandatory for the Year Ended December 31, 2020

Up to the date of issue of our consolidated financial statements for the year ended December 31, 2020, the IASB has issued a number of amendments and new standards and interpretations which are not yet effective or mandatory for the year ended December 31, 2020 and which have not been adopted by us.

Of these developments, the following relate to matters that may be relevant to our operations and consolidated financial statements:

	<u>Effective for accounting periods beginning on or after</u>
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 16 “Lease” – Covid-19-related Rent Concessions	June 1, 2020
Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment” – Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3 “Business Combinations”– Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures”- Sale or contribution of assets between an investor and its associate or joint venture	To be determined

As a result of the new IFRS standards, the Company might be required to change its accounting policies, to alter its operational policies so that they reflect new financial reporting standards, or to restate its published consolidated financial statements. Such changes may have an adverse effect on the Company’s business, financial position and profit, or could cause an adverse deviation between the Company’s revenue and operating result targets.

Results of Operations

The following table sets forth selected consolidated statements of comprehensive income data for the years indicated:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentage data)					
Operating revenue ⁽¹⁾ :						
Revenue from telecommunications services	670,907	91.1	674,392	90.4	695,692	90.6
Revenue from sales of products and others	65,912	8.9	71,525	9.6	72,378	9.4
Total	<u>736,819</u>	<u>100.0</u>	<u>745,917</u>	<u>100.0</u>	<u>768,070</u>	<u>100.0</u>
Operating expenses:						
Network operation and support expenses	200,007	32.5	175,810	27.8	206,424	31.5
Depreciation and amortization	154,154	25.0	182,818	28.9	172,401	26.3
Employee benefit and related expenses	93,939	15.3	102,518	16.2	106,429	16.2
Selling expenses	60,326	9.8	52,813	8.3	49,943	7.6
Cost of products sold	66,231	10.8	72,565	11.5	73,100	11.2
Other operating expenses	40,775	6.6	46,244	7.3	47,039	7.2
Total	<u>615,432</u>	<u>100.0</u>	<u>632,768</u>	<u>100.0</u>	<u>655,336</u>	<u>100.0</u>
Profit from operations	121,387		113,149		112,734	
Other gains	2,906		4,029		5,602	
Interest and other income	15,885		15,560		14,341	
Finance costs	(144)		(3,246)		(2,996)	
Income from investments accounted for using the equity method	13,861		12,641		12,678	
Profit before taxation	153,895		142,133		142,359	
Taxation	(35,944)		(35,342)		(34,219)	
Profit for the year	<u>117,951</u>		<u>106,791</u>		<u>108,140</u>	
Attributable to:						
Equity shareholders	117,781	99.9	106,641	99.9	107,843	99.7
Non-controlling interests	170	0.1	150	0.1	297	0.3
Profit for the year	<u>117,951</u>	<u>100.0</u>	<u>106,791</u>	<u>100.0</u>	<u>108,140</u>	<u>100.0</u>

- (1) Our operating revenue components are revenue from telecommunications services and revenue from sales of products and others. Revenue from telecommunications services consists of voice services revenue, data services revenue and other revenue from telecommunications services. Revenue from sales of products and others is mainly derived from sales of handsets, smart devices and ICT equipment as well as revenue from construction contracts.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Operating Revenue. Our operating revenue components are revenue from telecommunications services and revenue from sales of products and others. Revenue from telecommunications services primarily consists of voice services revenue and data services revenue. Voice services revenue mainly includes standard local usage fees for airtime and applicable domestic and international long-distance charges receivable from customers for the use of our telecommunications networks and facilities, fees in respect of roaming out calls made by our customers outside their registered service areas and fees charged for voice value-added services. Data services revenue is mainly derived from SMS and MMS, wireless data traffic services, wireline broadband business and applications and information services. Other revenue from telecommunications services largely represents interconnection revenue. Revenue from sales of products and others is mainly derived from sales of handsets, smart devices and ICT equipment, as well as revenue from construction contracts. See note 1 to the table above.

Operating revenue increased from RMB745,917 million in 2019 to RMB768,070 million (US\$117,712 million) in 2020, representing a year-on-year increase of 3.0%. Revenue from telecommunications services grew from RMB674,392 million in 2019 to RMB695,692 million (US\$106,619 million) in 2020, representing a year-on-year increase of 3.2%. The Group made an all-out effort to advance the “5G+” plan, further promoted scale-based and value-oriented operations, strived to capture new markets emerged in the blue-ocean digital economy, which resulted in the rapid growth of revenue from wireline broadband and application and information services.

Due to the substitution effect of mobile Internet and other factors, revenue from voice services decreased from RMB88,624 million in 2019 to RMB78,782 million (US\$ 12,074 million) in 2020, representing a year-on-year decrease of 11.1%.

Set forth below is a table summarizing certain results of our data business for the periods indicated.

	<u>Year Ended December 31,</u>		<u>Increase</u>	<u>Change</u>
	<u>2019</u>	<u>2020</u>		
	(Revenue, in millions of RMB, except percentage data)			(%)
SMS and MMS	28,648	29,485	837	2.9%
Wireless data traffic	384,999	385,679	680	0.2%
Wireline broadband	68,835	80,808	11,973	17.4%
Applications and information services	82,543	101,038	18,495	22.4%
Data services revenue	<u>565,025</u>	<u>597,010</u>	<u>31,985</u>	5.7%
Data services revenue as a percentage of revenue from telecommunications services	83.8	85.8	2.0	—

Our data business includes wireless data traffic, wireline broadband, SMS and MMS, and applications and information services. Data services revenue grew from RMB565,025 million in 2019 to RMB597,010 million (US\$91,496 million) in 2020, representing a year-on-year increase of 5.7%. This increase was mainly due to improved quality of our broadband services which resulted in the rapid growth of revenue from wireline broadband. Also, as a result of the Group's initiatives in accelerating business transformation and upgrade, revenue from application and information services grew rapidly.

Revenue from wireless data traffic increased by 0.2% from RMB384,999 million in 2019 to RMB385,679 million (US\$59,108 million) in 2020. Revenue generated from wireline broadband business grew by 17.4% from RMB68,835 million in 2019 to RMB80,808 million (US\$12,384 million) in 2020. Revenue generated from SMS and MMS increased by 2.9% from RMB28,648 million in 2019 to RMB29,485 million (US\$4,519 million) in 2020. Revenue generated from applications and information services increased by 22.4% from RMB82,543 million in 2019 to RMB101,038 million (US\$15,485 million) in 2020. As a percentage of revenue from telecommunications services, data services revenue increased from 83.8% in 2019 to 85.8% in 2020.

Revenue from sales of products and others increased by 1.2% from RMB71,525 million in 2019 to RMB72,378 million (US\$11,093 million) in 2020, primarily due to an increase in the revenue from sales of ICT equipment and other smart devices.

Operating Expenses. Operating expenses increased by 3.6% from RMB632,768 million in 2019 to RMB655,336 million (US\$100,435 million) in 2020. Among the operating expenses:

Network operation and support expenses increased by 17.4% from RMB175,810 million in 2019 to RMB206,424 million (US\$31,636 million) in 2020. As a percentage of operating expenses, network operation and support expenses increased from 27.8% in 2019 to 31.5% in 2020. The increase in our network operation and support expenses in 2020 was primarily due to (i) increased electricity expenses resulting from expansion in the 5G network and data centers and (ii) increased investments in transformation of the smart family business and the DICT business and construction of smart mid-end platforms. For more information on our network operation and support expenses, see note 5 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Depreciation and amortization expenses decreased by 5.7% from RMB182,818 million in 2019 to RMB172,401 million (US\$26,422 million) in 2020. As a percentage of operating expenses, depreciation and amortization expenses decreased from 28.9% in 2019 to 26.3% in 2020. The decrease in our depreciation and amortization expenses in 2020 was primarily due to adjustment to the depreciable life of 4G wireless assets.

Employee benefit and related expenses increased by 3.8% from RMB102,518 million in 2019 to RMB106,429 million (US\$16,311 million) in 2020, primarily as a result of enhanced incentives to attract talents in corporate business, emerging markets and research and development in the field of 5G, artificial intelligence, IoT, cloud computing, big data and edge computing, partially offset by the cost-saving effect on employee benefit and related expenses attributable to the social security exemption policy during the COVID-19 pandemic period. As a percentage of operating expenses, employee benefit and related expenses was 16.2% in both 2019 and 2020.

Selling expenses decreased by 5.4% from RMB52,813 million in 2019 to RMB49,943 million (US\$7,654 million) in 2020. This decrease was principally because we accelerated channel transformation, strengthened the integrated development of sales channels and optimized allocation of marketing resources, which offset the COVID-19 pandemic's negative impact on offline marketing and operational efficiency. As a percentage of operating expenses, selling expenses decreased from 8.3% in 2019 to 7.6% in 2020.

Cost of products sold increased by 0.7% from RMB72,565 million in 2019 to RMB73,100 million (US\$11,203 million) in 2020. This increase was primarily driven by the increase in the revenue from sales of products over the same periods. As a percentage of operating expenses, cost of products sold decreased from 11.5% in 2019 to 11.2% in 2020.

Other operating expenses increased by 1.7% from RMB46,244 million in 2019 to RMB47,039 million (US\$7,209 million) in 2020. The increase was mainly due to (i) an increase in R&D expenses and (ii) COVID-19 prevention and infection control measures. As a percentage of operating expenses, other operating expenses decreased from 7.3% in 2019 to 7.2% in 2020. For more information on our other operating expenses, see note 7 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Profit from Operations. As a result of the foregoing, profit from operations decreased by 0.4% from RMB113,149 million in 2019 to RMB112,734 million (US\$17,277 million) in 2020, and operating margin (profit from operations as a percentage of operating revenue) decreased from 15.2% in 2019 to 14.7% in 2020.

Other Gains. Other gains increased by 39.0% from RMB4,029 million in 2019 to RMB5,602 million (US\$859 million) in 2020, principally due to the increase in government subsidies and additional deduction of input VAT.

Interest and Other Income. Interest and other income decreased from RMB15,560 million in 2019 to RMB14,341 million (US\$2,198 million) in 2020. The decrease was mainly due to the decline of fair value of the convertible bond issued by SPD bank held by the Group.

Finance Costs. Finance costs decreased from RMB3,246 million in 2019 to RMB2,996 million (US\$459 million) in 2020. This decrease was mainly due a decrease in interest costs associated with lease liabilities.

Income from Investments Accounted for Using the Equity Method. We had income from investments accounted for using the equity method of RMB12,678 million (US\$1,942 million) in 2020, an increase by 0.3% from RMB12,641 million in 2019. The increase was primarily attributable to our shareholding in China Tower and IFLYTEK. For more information on our income from investments accounted for using the equity method, see note 21 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Profit before Taxation. As a result of the foregoing, profit before taxation increased by 0.2% from RMB142,133 million in 2019 to RMB142,359 million (US\$21,817 million) in 2020.

Taxation. Our income tax expense decreased by 3.2% from RMB35,342 million in 2019 to RMB34,219 million (US\$5,244 million) in 2020, primarily due to the preferential tax rate and tax rebates received by certain subsidiaries in 2020. Our effective tax rate was 24.9% in 2019 and 24.0% in 2020.

Profit Attributable to Equity Shareholders. As a result of the foregoing and after taking into account non-controlling interests, profit attributable to equity shareholders increased by 1.1% from RMB106,641 million in 2019 to RMB107,843 million (US\$16,527 million) in 2020. Net profit margin (profit attributable to equity shareholders as a percentage of operating revenue) decreased from 14.3% in 2019 to 14.0% in 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

For a discussion of our results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018, please see "Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2019 Compared to Year Ended December 31, 2018" of our annual report on Form 20-F for the year ended December 31, 2019.

Liquidity and Capital Resources

Liquidity

Our principal source of liquidity is cash generated from our operations. As of December 31, 2020, we had working capital (current assets minus current liabilities) of RMB62,469 million (US\$9,574 million), compared to working capital of RMB67,799 million as of December 31, 2019 and working capital of RMB60,718 million as of December 31, 2018. The decrease in our working capital as of December 31, 2020 from December 31, 2019 was primarily due to an increase in our accounts payable. The current portion of our finance lease obligations as of December 31, 2018, 2019 and 2020 were nil, nil and nil, respectively. The current portion of our lease liabilities as of December 31, 2019 and 2020 was RMB22,668 million and RMB24,173 million (US\$3,705 million), respectively.

Bank deposits represent term deposits with banks with original maturity exceeding three months. As of December 31, 2020, we had bank deposits of RMB110,382 million (US\$16,917 million), compared to bank deposits of RMB130,799 million as of December 31, 2019 and bank deposits of RMB291,887 million as of December 31, 2018. For further information about our financial instruments, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk” and note 23 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

The following table summarizes certain cash flow information for the periods indicated.

	Years ended December 31,		
	2018	2019	2020
	(in millions of RMB)		
Net cash generated from operating activities	206,151	247,591	307,761
Net cash used in investing activities	(212,231)	(64,206)	(188,106)
Net cash used in financing activities	(57,820)	(64,901)	(82,252)
Net (decrease)/increase in cash and cash equivalents	<u>(63,900)</u>	<u>118,484</u>	<u>37,403</u>

Net cash generated from operating activities increased by 24.3% from RMB247,591 million in 2019 to RMB307,761 million (US\$47,166 million) in 2020, which primarily reflects improvement in utilization of credit period granted by suppliers and receivables management.

Net cash used in investing activities increased significantly from RMB64,206 million in 2019 to RMB188,106 million (US\$28,829 million) in 2020 primarily because the Group optimized treasury management in 2019 to improve efficiency which resulted in a large decrease of bank deposits.

Net cash used in financing activities increased by 26.7% from RMB64,901 million in 2019 to RMB82,252 million (US\$12,606 million) in 2020, primarily due to increased dividend payment, payment for lease liabilities and the net amount of bank deposits repayment minus bank deposits absorption of CMCC.

For a discussion of our cash flow information for the year ended December 31, 2019 compared to the year ended December 31, 2018, please see “Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources — Liquidity” of our annual report on Form 20-F for the year ended December 31, 2019.

Capital Expenditures

Capital expenditures incurred in 2018, 2019 and 2020 were RMB167,075 million, RMB165,878 million and RMB180,634 million (US\$27,683 million), respectively. We incurred capital expenditures principally to build a high-quality 5G network, better the deployment of cloud resources, promote cloud-based network transformation, build up transmission capability and boost IT support.

We estimate that we will incur capital expenditures of approximately RMB183.6 billion (US\$28.1 billion) in 2021. Our capital expenditure, which is expected to be principally incurred in the mainland of China, will serve a variety of purposes, including the continued build-out and enhancement of our 5G network, the construction of cloud-based infrastructure, support for the all-rounded development of the “four growth engines” and enhancements to smart operations.

We have generally funded our capital requirements primarily with cash generated from operations. We believe our available cash and cash generated from future operations will be sufficient to fund the capital expenditures and working capital necessary for the planned network expansion and continued growth of our mobile operations through the end of 2021.

We may seek to obtain additional sources of financing to fund our network expansion and possible future acquisitions, to the extent necessary.

Contractual Obligations and Commitments

Indebtedness

We currently have a corporate credit rating of A1/Outlook Stable from Moody's and A+/Outlook Stable from Standard & Poor's, which remain at levels equivalent to China's sovereign credit rating, respectively. As of December 31, 2020, we did not have any borrowings.

Other Contractual Obligations and Commitments

As of December 31, 2020, we had various contractual obligations and commitments which are more fully disclosed in the notes to our consolidated financial statements. These obligations and commitments primarily include capital commitments.

In the ordinary course of our business, we routinely enter into commercial commitments for various aspects of our operations, such as network maintenance and support. However, we believe that those commitments will not have a material effect on our financial condition, results of operations or cash flows.

For further disclosure regarding our commitments, please see note 39 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

The following table sets forth certain information regarding our contractual obligations to make future payments (including relevant estimated interest payment) as of December 31, 2020:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
		(in millions of RMB)			
Accounts Payable	167,990	167,990	—	—	—
Bills Payable	4,561	4,561	—	—	—
Accrued Expenses and Other Payables	200,952	200,952	—	—	—
Amount Due to Ultimate Holding Company	26,714	26,714	—	—	—
Lease Liabilities	72,291	23,780	22,927	17,513	8,071
Other non-current liabilities	479	—	67	70	342
Total	<u>472,987</u>	<u>423,997</u>	<u>22,994</u>	<u>17,583</u>	<u>8,413</u>

The following table sets forth certain information regarding our other commercial commitments as of December 31, 2020:

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amount Committed	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
		(in millions of RMB)			
Capital Commitments	46,574	40,955	5,619	—	—

Apart from the commitments listed above, as of December 31, 2020, we had a commitment to invest RMB244 million in China Mobile Fund upon its request.

Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company — Business Overview — Research and Development."

Trend Information

See our discussion in each section of "— Overview of Our Operations" and "— Results of Operations" included elsewhere under this Item.

Off-Balance Sheet Arrangements

As of December 31, 2020, we did not have any off-balance sheet arrangements or any written options on non-financial assets.

Foreign Exchange

We maintain our accounts in Renminbi and substantially all of our revenue and expenses are denominated in Renminbi. Most of our current operating subsidiaries are incorporated in the mainland of China. Under the current foreign exchange system in the mainland of China, our subsidiaries in the mainland of China may not be able to hedge effectively against currency risk, including any possible future Renminbi devaluation. See “Item 3. Key Information – Risk Factors – Risks Relating to the mainland of China – Fluctuation of the Renminbi could materially affect our financial condition, results of operations and cash flows” and “Item 10. Additional Information—Exchange Controls” for further information about exchange controls in the mainland of China. We expect our foreign currency hedging activity to be generally limited to the hedging of specific future commitments in foreign currencies.

Each of our operating subsidiaries in the mainland of China is able to purchase foreign exchange for settlement of current account transactions, as defined in applicable regulations, in order to satisfy its foreign exchange requirements.

Item 6. Directors, Senior Management and Employees.

Directors and Senior Management

The following table sets forth certain information concerning our directors and senior management as of April 28, 2021.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. YANG Jie	58	Executive Director and Chairman
Mr. DONG Xin	55	Executive Director and Chief Executive Officer
Mr. WANG Yuhang	59	Executive Director
Mr. LI Ronghua	55	Executive Director and Chief Financial Officer
Dr. Moses M.C. CHENG	71	Independent Non-Executive Director
Mr. Paul M.Y. CHOW	74	Independent Non-Executive Director
Mr. Stephen K.W. YIU	60	Independent Non-Executive Director
Dr. YANG Qiang	59	Independent Non-Executive Director
Mr. LI Huidi	52	Vice President
Mr. GAO Tongqing	57	Vice President
Mr. JIAN Qin	55	Vice President
Mr. ZHAO Dachun	50	Vice President

Mr. YANG Jie has served as our Executive Director and Chairman since March 2019. He is in charge of our overall management. Mr. Yang is also the Chairman of CMCC and a director and the Chairman of CMC. Mr. Yang previously served as a Deputy Director General of Shanxi Posts and Telecommunications Administration, a General Manager of Shanxi Telecommunications Corporation, a Vice President of China Telecom Beijing Research Institute, a General Manager of the Business Department of the Northern Telecom of China Telecommunications Corporation, Vice President, President and Chairman of China Telecommunications Corporation, and the President, Chief Operating Officer, Chairman and Chief Executive Officer of China Telecom Corporation Limited. Mr. Yang graduated from the Beijing University of Posts and Telecommunications majoring in radio engineering in 1984 and obtained a doctorate degree in business administration from the ESC Rennes School of Business in 2008. Mr. Yang is a professor-level senior engineer with extensive experience in management and the telecommunications industry.

Mr. DONG Xin has served as our Executive Director since March 2017 and our Chief Executive Officer since August 2020. He is in charge of the operation of the Company. Mr. Dong is also a Director and President of CMCC and a Director and President of CMC. Mr. Dong formerly served as a Deputy Director of Corporate Finance Division of Finance Department of the former Ministry of Posts and Telecommunications, a Director of Economic Adjustment Division of the Department of Economic Adjustment and Communication Clearing of the former Ministry of Information Industry of China, Director General of the Finance Department of CMCC, Chairman and President of China Mobile Group Hainan Company Limited, China Mobile Group Henan Company Limited and China Mobile Group Beijing Company Limited, Vice President and Chief Accountant of CMCC, Vice President and Chief Financial Officer of our Company and a non-executive director of China Tower. Mr. Dong received a Bachelor's degree from Beijing University of Posts and Telecommunications in 1989, a Master's degree in financial and accounting management from Australian National University, and a doctoral degree in business administration jointly issued by Shanghai Jiao Tong University and ESC Rennes School of Business, France. Mr. Dong is a senior engineer and senior accountant with many years of experience in the operation and management of the telecommunications industry and in financial management.

Mr. WANG Yuhang has served as our Executive Director since October 2019. He is principally in charge of human resources and inspection matters. Mr. Wang is also a director of CMCC and CMC. Mr. Wang formerly served as a deputy general manager of Development Department, general manager of Supervision Department, deputy director of Supervision and Inspection Office, the chief director of Legal Center, general manager of Human Resources Department and executive vice president of China Ocean Shipping (Group) Company; a vice president of COSCO Americas Inc.; the general manager of COSCO Shipbuilding Industry Company; the general manager of COSCO Shipyard Group Co., Ltd. as well as the executive vice president of China COSCO SHIPPING Corporation Limited. Mr. Wang had served as a non-executive director and vice chairman of China International Marine Containers (Group) Co., Ltd., a non-independent and non-executive director and the chairman of COSCO SHIPPING International (Singapore) Co., Ltd., a non-executive director of COSCO SHIPPING Holdings Co., Ltd. and an executive director and the chairman of COSCO SHIPPING International (Hong Kong) Co., Ltd. (listed in Hong Kong). Mr. Wang graduated from Dalian Maritime College in 1983 with a major in marine engineering management. Mr. Wang is a senior engineer and has many years of experience in the shipping industry with rich experience in human resources and corporate management.

Mr. LI Ronghua has served as our Executive Director and Chief Financial Officer since October 2020. He is principally in charge of finance, internal audit and investor relations of the Company. Mr. Li is also the Chief Accountant of CMCC and a director and Vice President of CMC. Mr. Li formerly served as Vice Manager and Manager of Finance and Assets Department of State Grid Corporation of China, Deputy General Accountant and Manager of Finance and Assets Department of State Grid Corporation of China, Deputy General Accountant of State Grid Corporation of China, Deputy General Accountant of State Grid Corporation of China and concurrently Director and Chairman of State Grid Overseas Investment Limited (Hong Kong), as well as Deputy General Accountant of State Grid Corporation of China and concurrently Chairman of State Grid Yingda International Holdings Group Ltd. Between December 2019 and September 2020, Mr. Li served as the head of the preparatory team of and Director and Chairman of State Grid Yingda Co., Ltd. (listed in Shanghai). Mr. Li received a Bachelor's degree in Accounting from Zhongnan University of Economics in 1998, and an Executive Master of Business Administration degree from Wuhan University in 2004.

Dr. Moses M.C. CHENG has served as our Independent Non-Executive Director since March 2003. He was appointed the chairman of the remuneration committee in May 2016. Dr. Cheng is a practicing solicitor and a consultant of Messrs. P.C. Woo & Co. after serving as its senior partner from 1994 to 2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He also serves as the chairman of the Insurance Authority. Dr. Cheng currently holds directorships in Liu Chong Hing Investment Limited, China Resources Beer (Holdings) Company Limited, Towngas China Company Limited, K. Wah International Holdings Limited, Guangdong Investment Limited, Tian An China Investments Company Limited and The Hong Kong and China Gas Company Limited, all of which are public companies in Hong Kong. Dr. Cheng has ceased to be a non-executive director of Kader Holdings Company Limited.

Mr. Paul M.Y. CHOW has served as our Independent Non-Executive Director since May 2013. He was appointed the chairman of the nomination committee in May 2016. Mr. Chow was the chief executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003, an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010, the chairman of Hong Kong Cyberport Management Company Limited from June 2010 to May 2016, an independent non-executive director of Bank of China Limited from October 2010 to August 2016, a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region from April 2015 to March 2017, an independent non-executive director of CITIC Limited from March 2016 to June 2019 and an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. from April 2015 to May 2020.

Mr. Stephen K.W. YIU has served as our Independent Non-Executive Director since March 2017. He was appointed the chairman of the audit committee in May 2018. Mr. Yiu is currently a non-executive director of the Insurance Authority, an independent non-executive director of Hong Kong Exchanges and Clearing Limited and ANTA Sports Products Limited, a Council member of The Hong Kong University of Science and Technology and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and the Complaints Committee of the Hong Kong Independent Commission Against Corruption. Mr. Yiu joined the global accounting firm KPMG in Hong Kong in 1983 and was seconded to KPMG in London, the United Kingdom from 1987 to 1989. Mr. Yiu became a partner of KPMG in 1994, served as the partner in charge of audit of KPMG from 2007 to 2010, and served as the chairman and chief executive Officer of KPMG China and Hong Kong as well as a member of the Executive Committee and the Board of KPMG International and KPMG Asia Pacific from April 2011 to March 2015. Mr. Yiu formerly also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the HKICPA. Mr. Yiu is a fellow member of the Association of Chartered Certified Accountants, the HKICPA and the Institute of Chartered Accountants of England and Wales. Mr. Yiu received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a Master's degree in business administration from the University of Warwick in the United Kingdom.

Dr. YANG Qiang has served as our Independent Non-Executive Director since May 2018. Dr. Yang is currently the Chief AI Officer of WeBank Co., Ltd., the Chair Professor and the former Head of the Department of Computer Science and Engineering of the Hong Kong University of Science and Technology (HKUST), as well as the Co-founder of Shenzhen Qianhai 4Paradigm Data Technology Co., Ltd. Dr. Yang had served as, among other posts, an Assistant Professor and a Tenured Associate Professor at the Department of Computer Science of the University of Waterloo in Canada from September 1989 to August 1995, a Tenured Associate Professor, an Industrial Research Chair and a Full Professor at the School of Computing Science of Simon Fraser University in Canada from August 1995 to August 2001, and an Associate Professor, a Full Professor and an Associate Head of the Department of Computer Science and Engineering of HKUST from August 2001 to June 2012. From 2012 to November 2014, Dr. Yang was also the Founding Head of Huawei's Noah's Ark Research Lab. He was the President of International Joint Conference on Artificial Intelligence (IJCAI) from 2017 to 2019 and an executive committee member of the Association for the Advancement of Artificial Intelligence (AAAI) from 2016 to 2019. He was the AAAI Conference Chair in 2021. Dr. Yang is a Fellow of several international professional societies, including AAAI, Association for Computing Machinery (ACM) and Institute of Electrical and Electronic Engineering (IEEE). Dr. Yang received a bachelor's degree in astrophysics from Peking University in 1982, master's degrees in astrophysics and computer science from the University of Maryland, College Park in the United States in 1985 and 1987, respectively, and a doctor's degree in computer science from the University of Maryland, College Park in 1989.

Mr. LI Huidi has served as our Vice President since September 2019. Mr. Li is principally in charge of planning and construction, network, information harbor, information security, procurement and others. Mr. Li is also a Vice President and the Chief Cyber Security Officer of CMCC and a director and vice president of CMC. Previously, Mr. Li served as a research fellow in Lucent Technologies — Bell Labs Innovations, a vice president of UTStarcom Inc., a vice president and General Manager of New Mobile Technology and High-end Products Division of Lenovo Group Limited, Chief Technology Officer and Chairman of Technology Innovation Committee of Lenovo Mobile Communication Technology Co., Ltd. Mr. Li graduated in 1990 with a Bachelor of Electronic Engineering from Harbin Institute of Technology, and received a Master's Degree in Mobile Communications from Polytechnic Institute of New York University and a doctoral degree in management from Hong Kong Polytechnic University.

Mr. GAO Tongqing has served as our Vice President since February 2020. Mr. Gao is principally in charge of legal and regulatory matters, research and development, international business, investment and information technology. He is also a Vice President and General Counsel of CMCC and a director and vice president CMC. Mr. Gao previously served as Deputy Director General of Xinjiang Uygur Autonomous Region Posts and Telecommunications Administration, Deputy General Manager and the General Manager of Xinjiang Uygur Autonomous Region Telecom Company, General Manager of China Telecom Jiangsu branch, Vice President of China Telecommunications Corporation, and Executive Director and Executive Vice President of China Telecom Corporation Limited. Since August 2020, Mr. Gao has served as a non-executive director of China Tower. He graduated from the Changchun Institute of Posts and Telecommunications with a major in telecommunications engineering and received a doctorate degree in business administration from the Hong Kong Polytechnic University.

Mr. JIAN Qin has served as our Vice President since September 2019. Mr. Jian is principally in charge of marketing, customer service, terminals, mobile Internet, financial technology and others. Mr. Jian is also a Vice President of CMCC, a director and vice president of CMC and a director of Phoenix Media Investment (Holdings) Limited. Previously he served as a Deputy Director of the Nanchang Telecom Bureau, Chairman and President of China Mobile Group Jiangxi Co., Ltd., China Mobile Group Sichuan Co., Ltd. and China Mobile Group Guangdong Co., Ltd. Mr. Jian graduated in 1989 from Beijing University of Posts and Telecommunications majoring in Computer and Communication, and received a Doctoral degree in Industrial Economics from Jiangxi University of Finance and Economics.

Mr. ZHAO Dachun has served as our Vice President since September 2019. Mr. Zhao is principally in charge of corporate customers, software technology R&D, IoT, ICT and other matters. Mr. Zhao is also a Vice President of CMCC and a director and vice president of CMC. Previously, Mr. Zhao served as Chairman and President of China Mobile Group Shaanxi Co., Ltd. and China Mobile Group Sichuan Co., Ltd. Mr. Zhao graduated in 1993 from Southeast University majoring in Radio Technology and received an EMBA from Nanjing University.

Compensation

The amount of compensation that we paid to our executive directors for their services in 2020 was approximately RMB3.0 million (US\$0.5 million). The amount of compensation that we paid to our independent non-executive directors for their services in 2020 was approximately HK\$1.4 million (US\$0.2 million). See note 11 to our consolidated financial statements included in this annual report on Form 20-F for details of the compensation we paid to our directors on an individual basis.

Board Practices

To enhance our corporate governance, we have three principal board committees: the audit committee, the remuneration committee and the nomination committee. The audit committee, the remuneration committee and the nomination committee are all comprised solely of independent non-executive directors.

Audit Committee

The members of our audit committee are Mr. Stephen K.W. Yiu, as chairman of the committee, Dr. Moses M.C. Cheng, Mr. Paul M.Y. Chow and Dr. Yang Qiang. The audit committee's major responsibilities include:

- to review the financial reports, the related report of the independent registered public accounting firm and management's responses to the reports;
- to discuss the audit procedures with the independent registered public accounting firm as well as any issues arising out of such procedures;
- to review the appointment of the independent registered public accounting firm, the audit and non-audit fees and any matters relating to the termination or resignation of the independent registered public accounting firm; and
- to examine the effectiveness of our internal controls, to review our internal audit plan and to submit relevant reports and recommendations to our board of directors on a regular basis.

The audit committee usually meets five times each year.

Remuneration Committee

The members of our remuneration committee are Dr. Moses M.C. Cheng, as chairman of the committee, Mr. Paul M.Y. Chow and Mr. Stephen K.W. Yiu. The remuneration committee's major responsibilities include:

- to advise the Board in relation to the remuneration structure and payments of our executive directors and executives; and
- to represent the Board in confirming the individual remuneration packages and employment terms of executive directors and approving their related employment contracts.

Meetings of the remuneration committee are held at least once a year.

Nomination Committee

The members of our nomination committee are Mr. Paul M.Y. Chow, as chairman of the committee, Dr. Moses M.C. Cheng and Stephen K.W. Yiu. The primary responsibilities of the nomination committee include:

- to review, advise and make recommendations to the board on the matters in relation to the appointment and re-appointment of board members; and

- to ensure the proper and transparent procedures for the appointment and re-appointment of directors.

Meetings of the nomination committee are held at least once a year.

We have not entered into any service contract with a specific term with our directors. All directors are subject to retirement by rotation. No compensations are payable to our directors upon termination of their services with us, except certain statutory compensation.

Employees

See “Item 4. Information on the Company — Business Overview — Employees.”

Share Ownership

As of March 31, 2021, our directors and senior management who own shares in our company are listed as follows:

<u>Director</u>	<u>Number of shares held</u>	<u>Percentage of ordinary shares</u>
Moses M.C. Cheng	300,000	0.0015%

* Including interest of controlled corporation.

Under our Articles of Association, our directors and senior management do not have different voting rights when compared to other holders of shares in the same class.

Our board of directors resolved to propose the adoption of a share option scheme, or the Scheme. See Exhibit 1.1 to our report on Form 6-K furnished on January 24, 2020 for a summary of the key terms of the Scheme. The Scheme has been approved by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC and by our shareholders at the annual general meeting held on May 20, 2020. On June 12, 2020, our board of directors approved a grant of share options representing an aggregate of 305,601,702 ordinary shares to 9,914 participants in the Scheme. See Exhibit 1.1 to our report on Form 6-K furnished on June 15, 2020 for further information.

Item 7. Major Shareholders and Related Party Transactions.

Major Shareholders

As of March 31, 2021, China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, held 14,890,116,842 ordinary shares of our Company, representing approximately 72.72% of our issued and outstanding share capital. CMCC, a state-owned company, holds all of the voting shares and economic interest in China Mobile (Hong Kong) Group Limited. No other persons own 5% or more of our ordinary shares. Between our initial public offering and March 31, 2021, our majority shareholders held, directly or indirectly, between approximately 72.72% and 76.5% of equity interest in us, except for brief periods following our equity offerings in 1999 and 2000 but before the issuance of consideration shares to our direct shareholder, China Mobile Hong Kong (BVI) Limited, for the related acquisitions, during which periods the shareholding was temporarily lower. See “Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure” for changes during the past three years with respect to our majority shareholders. Under our Articles of Association, our major shareholders do not have different voting rights when compared to other holders of shares in the same class. See “Item 9. The Offer and Listing” for the number of our ordinary shares and the number of the holders of our ADSs.

We are not aware of any arrangement which may at a subsequent date result in a change of control over us.

Related Party Transactions

As of March 31, 2021, CMCC indirectly owned an aggregate of approximately 72.72% of our issued and outstanding share capital.

We and each of our subsidiaries have entered into various related party transactions. The principal terms of the agreements for these related party transactions are described below.

Certain charges for the services under these agreements are based on tariffs set by the PRC regulatory authorities. Those transactions where the charges are not set by PRC regulatory authorities are based on commercial negotiation between the parties, in each case on an arm's-length basis.

International Roaming Arrangements

Pursuant to an agreement between us and CMCC (the "International Roaming Settlement Agreement"), CMCC maintains the existing settlement arrangements with respect to international interconnection and roaming with the relevant telecommunications services providers in foreign countries and regions, and collects the relevant usage fees and other fees from us and pays the same to the relevant mobile services providers in foreign countries and regions. On September 13, 2012, we entered into an agreement with CMCC, pursuant to which CMCC would gradually transfer its settlement arrangements with certain telecommunications services providers in foreign countries and regions to China Mobile International, our wholly-owned subsidiary. As a result, our arrangement with CMCC with respect to international interconnection and roaming with those telecommunications services providers has been gradually phasing out.

Licensing of Trademark

CMCC is the owner of the "CHINA MOBILE" name and logo, a registered trademark in the mainland of China, Hong Kong, Macau, Taiwan, Brazil, Brunei, Canada, Chile, Indonesia, Malaysia, Nigeria, United Arab Emirates, Pakistan, Peru, Saudi Arabia, South Africa, Sri Lanka and Yemen, and an application as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks has been approved in 47 countries.

In December 2017, we entered into the 2018 Trademark License Agreement to replace the 2013 Trademark License Agreement. Under the 2018 Trademark License Agreement, we and our operating subsidiaries have a non-exclusive right to use the "CHINA MOBILE" trademark in the mainland of China and Hong Kong. The term of the 2018 Trademark License Agreement shall be five years, effective from January 1, 2018 and expiring on December 31, 2022. No license fee is payable by us to CMCC during the term of the 2013 Trademark License Agreement or the 2018 Trademark License Agreement.

Spectrum Fees and Numbering Resources

The MIIT and the MOF jointly determine the standardized spectrum fees payable to the MIIT by all mobile operators in the mainland of China, including us. In accordance with a joint circular from the NDRC and the MOF, CMCC entered into an agreement with us that specifies the amount of fees to be paid to the MIIT for spectrum usage by each mobile network operator based on the bandwidth of the frequency used.

Pursuant to an agreement between us and CMCC (the "Spectrum and Numbering Resources Agreement"), CMCC can collect usage fees from us relating to spectrum frequency and numbering resources and make payment to the MIIT. In addition to transferring to us all existing frequency spectrum and numbering resources allocated to it by the MIIT, CMCC has also agreed to apply for new frequency spectrum and numbering resources upon our request or notice from time to time and transfer the relevant new frequency spectrum and numbering resources to us. In 2020, no consideration was paid from us to CMCC or from CMCC to us under the Spectrum and Numbering Resources Agreement.

Sharing of Inter-Provincial Transmission Line Leasing Fees

Pursuant to an agreement between us and CMCC (the "Inter-Provincial Transmission Line Leasing Settlement Agreement"), CMCC maintains the existing settlement arrangements with respect to inter-provincial transmission line leasing with the relevant transmission line providers in the mainland of China, and collects inter-provincial transmission line leasing fees from us and pays the same to the transmission line providers in respect of the inter-provincial transmission lines we lease from such providers. In 2020, no consideration was paid from us to CMCC or from CMCC to us under the Inter-Provincial Transmission Line Leasing Settlement Agreement.

Platform Development

Aspire, which is 66.41% owned by us, has a platform development master agreement (the "Platform Development Agreement") with CMCC, pursuant to which Aspire (or its subsidiaries) will provide technology platform development and maintenance services to CMCC and its subsidiaries. These services include system and gateway integration services, hardware, software and system development (including development of applications), technical support and major overhaul services for a standardized, nationwide platform for wireless data.

Under the Platform Development Agreement, CMCC will pay Aspire equipment charges, systems integration fees, software licensing fees, technical support fees and/or major overhaul charges, which will be determined according to standards laid down by the relevant governmental departments and/or by reference to market rates. In 2020, no consideration was paid from us to CMCC or from CMCC to us under the Platform Development Agreement.

Leasing of TD-SCDMA Network Capacity

Pursuant to a network capacity leasing agreement between us and CMCC (the “Network Capacity Leasing Agreement”), we and our operating subsidiaries lease TD-SCDMA network capacity from CMCC and pay leasing fees to CMCC. The initial term of the Network Capacity Leasing Agreement expired on December 31, 2009 and the agreement has been renewed for successive one-year periods since that time.

The leasing fees are determined on a basis that reflects our actual usage of CMCC’s TD-SCDMA network capacity and compensates CMCC for the costs of such network capacity. The amount of leasing fees payable by us to CMCC in 2020 under the Network Capacity Leasing Agreement did not exceed the de minimis threshold under the Hong Kong Listing Rules. The transactions contemplated under the Network Capacity Leasing Agreement constitute our continuing connected transactions under Rule 14A.31 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, or the Hong Kong Listing Rules, but are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under the Hong Kong Listing Rules.

Interconnection Settlement Arrangements

China Tietong, which was a then wholly-owned subsidiary of CMCC, was our connected person for purposes of the Hong Kong Listing Rules. Pursuant to an agreement among us, CMCC and China Tietong (the “Tripartite Agreement”), we and China Tietong make settlement payments to each other in respect of calls made or received by our respective customers. The initial term of the Tripartite Agreement expired on December 31, 2009. The Tripartite Agreement provides that unless the parties agree otherwise, upon expiry of its term, the Tripartite Agreement shall automatically be renewed for further terms of one year.

Following the completion of the acquisition of Target Assets and Businesses on December 31, 2015, the business contracts and relevant transactions between us, CMCC and China Tietong as contemplated under the Tripartite Agreement have been conducted by us and our subsidiaries. As a result, the interconnection settlement arrangements pursuant to the Tripartite Agreement ceased to be our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Network Assets Leasing Agreement

In order to better position ourselves in the changing landscape of the telecommunications industry in China and to enable us to meet the customers’ demand for one-stop shop telecommunications services, we entered into the Network Assets Leasing Agreement with CMCC on August 18, 2011 (the “2011 Network Assets Leasing Agreement”), pursuant to which we and CMCC will lease our respective telecommunications network operation assets to each other in return for a leasing fee. The initial term of the 2011 Network Assets Leasing Agreement expired on December 31, 2011, and the agreement has been renewed for successive one-year periods since then until it expired on December 31, 2019. On January 2, 2020, we entered into the 2020 Network Assets Leasing Agreement with CMCC for a term of one year commencing on January 1, 2020. The terms and conditions of the 2020 Network Assets Leasing Agreement are substantially the same as those of the 2011 Network Assets Leasing Agreement, except that the 2020 Network Assets Leasing Agreement is for a fixed term of one year and is not automatically renewable upon expiry. On January 8, 2021, we entered into the 2021 Telecommunications Network Operation Assets Leasing Agreement with CMCC for a term of one year commencing on January 1, 2021.

Pursuant to the 2021 Telecommunications Network Operation Assets Leasing Agreement, the leasing fees are payable on a monthly basis in cash and shall be determined with reference to the prevailing market rates. In determining the market rates for the leasing fees, we take into account the charges payable by us and CMCC to independent third parties (including other industry players) as well as the charges receivable by us and CMCC from independent third parties (including other industry players). The leasing fees payable by us to CMCC shall not be more than the leasing fees charged to other independent third parties for the same kinds of telecommunications network operation assets. The amount of leasing fees receivable by us from CMCC in 2020 under the 2020 Network Assets Leasing Agreement did not exceed the de minimis threshold under the Hong Kong Listing Rules, and the amount of leasing fees payable by us to CMCC in 2020 under the 2020 Network Assets Leasing Agreement did not exceed RMB5,000 million. It is expected that, in 2021, the amount of leasing fees payable by us to CMCC under the 2021 Telecommunications Network Operation Assets Leasing Agreement will not exceed RMB6,500 million, while the aggregate amount of the leasing fees receivable by us from CMCC will not exceed the de minimis threshold under Rule 14A.76 of the Hong Kong Listing Rules. The transactions contemplated under the 2021 Telecommunications Network Operation Assets Leasing Agreement constitute our continuing connected transactions under Rule 14A.31 of the Hong Kong Listing Rules and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules.

Assets Transfer Agreements

On August 9, 2019, certain of our provincial subsidiaries (the "Purchasers") entered into assets transfer agreements with the subsidiaries of CMCC in the relevant provinces (the "Vendors"). Pursuant to these assets transfer agreements, the Purchasers agreed to acquire from the Vendors certain telecommunication network operation assets, including properties and buildings, land use rights, machinery and equipment, transmission pipelines and optic fibers, related to the "Village Connect" project (the "Sale Assets"). The aggregate consideration under these assets transfer agreements is RMB873.0 million, determined after arm's length negotiations between the parties to these agreements with reference to the appraised value of the Sale Assets as set out in an assets valuation report prepared by an independent valuer using costs approach. The acquisition of the Sale Assets allows us to consolidate the Sale Assets with our other network operation assets, thereby enhancing the overall efficiency of the management of our network operation assets.

Telecommunication Facilities Construction Services Agreement

On August 9, 2019, we entered into the Telecommunications Services Agreement with CMCC, pursuant to which we provide telecommunications services to CMCC and its subsidiaries. Telecommunications services provided by us under this agreement include (i) telecommunications project planning, design and consultation services, (ii) telecommunications project construction services and (iii) maintenance services in respect of telecommunications facilities and equipment. Following the expiry of this agreement on December 31, 2019 and to continue the provision of services contemplated under such agreement, we entered into the 2020 Telecommunication Facilities Construction Services Agreement with CMCC on January 2, 2020 with a one-year term commencing on January 1, 2020. On January 8, 2021, we entered into the 2021 Telecommunication Facilities Construction Services Extension Letter with CMCC to renew the 2020 Telecommunication Facilities Construction Services Agreement according to its terms for a term of one year commencing on January 1, 2021.

Under the 2020 Telecommunication Facilities Construction Services Agreement, services charges for telecommunications project planning, design and consultation services will be payable by installments or upon completion of provisions of services. Services charges for telecommunications project construction services will be payable by installments, typically with 10% payable upon signing of the relevant engagement, 70% over the course of the construction and the remaining amount upon completion and acceptance of the project. Services charges for maintenance services in respect of telecommunications facilities and equipment will be payable monthly. The amount of telecommunications services charges receivable by us from CMCC and its subsidiaries under the Telecommunications Services Agreement did not exceed RMB3,000 million in 2020 and the telecommunication facilities construction services charges receivable by us from CMCC and its subsidiaries under the 2020 Telecommunication Facilities Construction Services Agreement in 2021 is expected not to exceed RMB2,000 million in 2021.

Transfer of Tower Assets to China Tower

On October 14, 2015, CMC entered into the Transaction Agreement with CUCL, China Telecom, CRHC and China Tower, pursuant to which CMC, CUCL and China Telecom shall transfer their then-owned telecommunications towers and related assets to China Tower, China Tower shall issue and allot shares in China Tower and/or pay certain cash as consideration for such transfers and CRHC shall subscribe for new shares in China Tower in cash. The transaction was completed on October 31, 2015. CMC transferred Tower Assets to China Tower for a final consideration of RMB102,736 million (approximately US\$15,859.7 million). In January 2016, seven subsidiaries of CMC and China Tower entered into share subscription agreements to settle the number of shares subscribed by such subsidiaries and the amount of the consideration. China Tower completed its initial public offering and listed on the main board of the Hong Kong Stock Exchange in August 2018 and, as a result, our equity interest was diluted from 38% to approximately 28%. As of March 31, 2021, we indirectly owned approximately 28% equity interest in China Tower through CMC, our wholly-owned subsidiary.

Telecommunications Towers and Related Assets Lease Arrangement

On July 8, 2016, CMC entered into the Lease Agreement with China Tower, pursuant to which CMC agreed to lease from China Tower telecommunications towers and related assets acquired and newly constructed by China Tower. Under the Lease Agreement, leasing fees and lease periods are determined on an individualized basis with respect to each telecommunications tower. We shall pay leasing fees calculated based on a pricing formula taking into account various factors, subject to a pricing adjustment mechanism.

On January 31, 2018, pursuant to the Commercial Pricing Agreement and after mutual negotiations and discussion on an arm's-length basis, the parties agreed on the supplementary provisions to the Lease Agreement (the "Supplementary Agreement"), which mainly included amendments to the pricing of tower products stated in the Lease Agreement. The term of the Supplementary Agreement shall be five years, effective from January 1, 2018 and expiring on December 31, 2022. The parties shall negotiate the pricing terms going forward prior to expiry.

During 2016 and 2017, the SEC issued comment letters relating to the Company's previously filed annual reports on Form 20-F for the fiscal years ended December 31, 2015 and 2016. The comment letters inquired mainly about the background, execution process, and accounting treatment in relation to the Company's disposal and lease of telecommunications towers and related assets with China Tower. The Company responded to these comment letters and was notified by the SEC in its letter dated October 20, 2017 that it has completed its review of such previously filed annual reports of the Company. The SEC did not in its October 2017 letter require us to make any amendment to those previously filed annual reports.

Property Leasing and Management Services

Following the completion of our acquisition of the telecommunications assets from CMCC in July 2004, the transactions previously entered into between our subsidiaries and prior subsidiaries of CMCC which have been acquired by us no longer constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules beginning on July 1, 2004 since such prior subsidiaries of CMCC became part of us on July 1, 2004. Only those transactions between CMCC and us or its subsidiaries (which have not been acquired by us) remain as connected transactions under Chapter 14A of the Hong Kong Listing Rules. As of the date of this annual report on Form 20-F, in order to streamline the management of the connected transactions between CMCC and us, we consolidated the Property Leasing and Management Services Agreement (the "Property Leasing and Management Services Agreement") between CMCC and us, pursuant to which we rent from CMCC various properties for use as business premises and offices, retail outlets and machining rooms and CMCC and its subsidiaries provide to us property management services. Under this agreement, for properties owned by CMCC or its subsidiaries, the charges are determined with reference to market rates. For properties leased by CMCC or its subsidiaries from third parties and sublet to us, the charges are determined according to the actual rent payable by CMCC or its subsidiaries together with any tax payable.

The rental and property management service charges paid by us to CMCC and its subsidiaries under the Property Leasing and Management Services Agreement did not exceed RMB2,200 million, RMB2,200 million and RMB2,000 million in 2018, 2019 and 2020, respectively. The transactions contemplated under the Property Leasing and Management Services Agreement constitute our continuing connected transactions under Rule 14A.31 of the Hong Kong Listing Rules and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules. The rental charges payable by us to CMCC and its subsidiaries under the Property Leasing and Management Services Agreement in 2021 are not expected to exceed RMB2,000 million, and the total value of right-of-use assets relating to the leases thereunder is not expected to exceed RMB3,800 million in 2021.

Item 8. Financial Information.

Consolidated Financial Statements

Our audited consolidated financial statements are set forth beginning on page F-1. Other than as disclosed elsewhere in this annual report on Form 20-F, no significant change has occurred since the date of the annual financial statements.

Legal Proceedings

We have been subject to an on-going investigation by the SAMR over alleged violation of the PRC Anti-Monopoly Law. See “Item 3. Key Information – Risk Factors – Risks Relating to Our Business – We have been subject to an on-going investigation by the State Administration for Market Regulation over alleged violation of the PRC Anti-Monopoly Law and we currently cannot predict whether or when the SAMR will issue its decision.”

On January 6, 2021, the New York Stock Exchange, following reversal of a similar decision announced on December 31, 2020, announced that it had determined to commence delisting proceedings of our ADSs to comply with Executive Order 13959 signed by the President of the United States. On January 20, 2021, we filed a written request with the New York Stock Exchange for a review of its determination. See “Item 3. Key Information – Risk Factors – Risks Relating to Our Business – Transactions in and holdings of our ordinary shares and ADSs by U.S. persons beyond specified dates are prohibited, and the continued listing of our ADSs are subject to significant uncertainty.”

Other than the above, we are not involved in any material litigation, arbitration or administrative proceedings, and, so far as we are aware, we do not have any pending or threatened litigation, arbitration or administrative proceeding that is expected to have a material effect on our financial condition and results of operations.

Policy on Dividend Distributions

We hold in the highest regard the interests of our shareholders and the returns achieved for them, especially our minority shareholders. In consideration of our operating results in 2020 and having taken into account our long-term future development, our board of directors recommended payment of a final dividend of HK\$1.76 per share for the fiscal year ended December 31, 2020. This, together with the interim dividend of HK\$1.53 per share, amounted to an aggregate dividend payment of HK\$3.29 per share for the full fiscal year of 2020.

The Company attaches great importance to shareholder returns and will maintain a stable dividend per share for the full year of 2021, after giving overall consideration to its profitability and cash flow generation. The Company will strive to create greater value for shareholders.

Item 9. The Offer and Listing.

In connection with our initial public offering, our ADSs, each representing 20 ordinary shares, were listed and commenced trading on the New York Stock Exchange on October 22, 1997 under the symbol “CHL.” Effective from July 5, 2000, our ADS-to-share ratio has been changed to one-to-five. Our shares were listed and commenced trading on the Hong Kong Stock Exchange on October 23, 1997 under the stock code “941.” Prior to these listings, there was no public market for our equity securities. The New York Stock Exchange and the Hong Kong Stock Exchange are the principal markets for our ADSs and ordinary shares, which are not listed on any other exchanges in or outside the United States.

As of December 31, 2020 and March 31, 2021, there were 20,475,482,897 and 20,475,482,897, respectively, of our ordinary shares issued and outstanding. As of December 31, 2020 and March 31, 2021, there were, respectively, 363 and 358 registered holders of American depositary receipts evidencing 91,598,346 and 17,061,955 of our ADSs. Since certain of the ADSs are held by nominees, the above number may not be representative of the actual number of U.S. beneficial holders of ADSs or the number of ADSs beneficially held by U.S. persons. The depositary for the ADSs is The Bank of New York Mellon.

Item 10. Additional Information.

Articles of Association

According to the Companies Ordinance, we have the capacity and the rights, powers and privileges of a natural person of full age and, in addition and without limit, we may do anything that we are permitted or required to do by any enactment or rule of law.

Directors

Material Interests. A director (or an entity connected with a director) who is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with us shall declare the nature and extent of his interest in accordance with the provisions of the Companies Ordinance and our Articles of Association. A director shall not vote (nor shall be counted in the quorum), on any resolution of the board in respect of any contract or transaction or arrangement or proposal in which he or any of his Associates (as such term is defined in the Hong Kong Listing Rules), is to his knowledge, materially interested, and if he shall do so, his vote shall not be counted (nor shall be counted in the quorum for that resolution). The above prohibition shall not apply to any contract, arrangement or proposal:

- for the giving by us of any security or indemnity to the director or his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of, or for, our or any of our subsidiaries' benefit;
- for the giving by us of any security to a third party in respect of our or any of our subsidiaries' debt or obligation for which the director or his Associates has himself or themselves assumed responsibility or guaranteed or secured in whole or in part whether alone or jointly;
- concerning an offer of the shares or debentures or other securities of or by us or any other company which we may promote or be interested in for subscription or purchase where the director or his Associates are, or are to be, interested as a participant in the underwriting or sub-underwriting of the offer;
- in which the director or his Associates are interested in the same manner as other holders of our shares or debentures or other securities by virtue of his or their interest in our shares or debentures or other securities;
- concerning any other company in which the director or his Associates are interested, whether directly or indirectly, as an officer or a shareholder or in which the director or his Associates are beneficially interested in shares of that company other than a company in which the director and any of his Associates, are beneficially interested in 5% or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his Associates is derived) or of the voting rights (excluding for the purpose of calculating such 5% interest any indirect interest of such director or his Associates by virtue of our interest in such company);
- for the benefit of our or any of our subsidiaries' employees, including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to our, or any of our subsidiaries', directors, his Associates and employees and does not give the director or his Associates any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by us to, or for the benefit of, our or any of our subsidiaries' employees under which the director or his Associates may benefit.

Remuneration and Pension. The directors shall be entitled to receive by way of remuneration for their services such sum as we may determine from time to time in a general meeting. The directors shall also be entitled to be repaid their reasonable traveling, hotel and other expenses incurred by them in or about the performance of their duties as directors. The directors may award special remuneration out of our funds (by way of salary, commission or otherwise as the directors may determine) to any director who performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director.

The board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons (1) who are or were at any time in employment or service of our company, or any of our subsidiaries, or is allied or associated with us or with any of our subsidiaries, or (2) who are or were at any time our or any of our subsidiaries' directors or officers, and holding or who have held any salaried employment or office in our company or any of our subsidiaries, and the wives, widows, families and dependents of any such persons. Any director holding any such employment or office shall be entitled to participate in, and retain for his own benefit, any such donation, gratuity, pension, allowance or emolument.

Borrowing Powers. The directors may exercise all the powers of our company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our company or any third party. Such borrowing powers may be varied by an amendment to our articles of association.

Qualification; Retirement. A director need not hold any of our shares to qualify as a director. There is no age limit requirement for a director's retirement or non-retirement.

Each director is subject to retirement by rotation and at each general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day shall be determined by lot unless they otherwise agree between themselves. The retiring directors shall be eligible for re-election.

Rights Attaching to Ordinary Shares

Voting Rights. Under the Companies Ordinance, any action to be taken by the shareholders in a general meeting requires the affirmative vote of either an ordinary or a special resolution passed at the meeting. An ordinary resolution is one passed by the majority of such shareholders as are entitled to, and do, vote in person or by proxy at a general meeting. A special resolution is one passed by not less than three-quarters of such shareholders as are entitled to, and do, vote in person or by proxy at a general meeting. Generally, resolutions of shareholders are passed by ordinary resolution. However, the Companies Ordinance stipulates that certain matters may only be passed by special resolutions.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll demanded by:

- the chairman of the meeting;
- at least three members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote at the meeting;
- any member or members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than five per cent. of the total voting rights of all members having the right to attend and vote at the meeting; or
- any member or members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than five per cent. of the total sum paid up on all shares conferring that right;

provided that a resolution put to the vote of the meeting may be decided on a show of hands to the extent permitted by Hong Kong Listing Rules.

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorized under Section 606 of the Companies Ordinance at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.

On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Modification of Rights. All or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may, subject to the provisions of the Companies Ordinance, at any time, as well as before or during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

Issue of Shares. A general meeting resolving upon the creation of any new shares may direct that the same or any of them shall be offered, in the first instance, to all the holders for the time being of any class of shares in the capital of our company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the directors, and Article 9 of the Articles of Association shall apply thereto.

Dividends. We may by ordinary resolution declare dividends, but no such dividend shall be declared in excess of the amount recommended by the directors.

The directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the directors to be justified.

All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the directors for our benefit until claimed, and all dividends unclaimed for six years after having become payable may be forfeited by the directors and shall revert to us.

Winding Up. If we shall be wound up, the liquidator (whether voluntary or official) may, with the sanction of a special resolution, divide among the shareholders in specie or kind the whole or any part of our assets or vest any part of our assets in trustees upon such trusts for the benefit of the members or any of them as the resolution shall provide.

Miscellaneous. The shareholders are not entitled to any redemption rights, conversion rights or preemptive rights on the transfer of our securities.

Annual General Meetings and Extraordinary General Meetings

We must hold, in each year, a general meeting as our annual general meeting in addition to any other meetings in that year. The annual general meeting must be held within six months after the end of each fiscal year and at such place(s) as may be determined by the directors. All other general meetings are extraordinary general meetings. The directors may proceed to convene an extraordinary general meeting whenever they think fit, in accordance with the Companies Ordinance.

In general, an annual general meeting and a meeting called for the passing of a resolution requiring special notice as stipulated under Section 578 of the Companies Ordinance shall be called by not less than 21 days' notice in writing, and any other general meeting shall be called by not less than 14 days' notice in writing. The notice must specify the place, date and time of the meeting and, in the case of special business, the general nature of that business.

Miscellaneous

We keep our share register with our share registrar, which is Hong Kong Registrars Ltd., Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In addition, we also file certain documents with the Registrar of Companies, Hong Kong, China, in accordance with the requirements of the Companies Ordinance. Our company number is 622909. See Exhibit 2.4 to this annual report for more information about our articles of association.

Material Contracts

Related Party Transactions

See “Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions” for certain arrangements we have entered into with CMCC and China Tower.

Exchange Controls

The Renminbi currently is not a freely convertible currency. Under the “capital account,” which includes, among others, foreign direct investment, the prior approval of the State Administration of Foreign Exchange should be obtained prior to conversion of Renminbi into foreign currency. However, under the “current account,” which includes dividends, trade and service-related foreign currency transactions, the Renminbi is currently freely convertible.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC and international economic conditions and foreign exchange policies. The conversion of Renminbi into foreign currencies, including U.S. dollars and Hong Kong dollars, is based on rates set by the PBOC. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. In August 2015, the PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar will be determined based on market-maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day’s closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Since October 1, 2016, the Renminbi has joined the International Monetary Fund’s basket of currencies that make up the Special Drawing Right, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. See “Item 3. Key Information – Risk Factors – Risks Relating to the mainland of China – Fluctuation of the Renminbi could materially affect our financial condition, results of operations and cash flows” for further information.

Under Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that (i) restrict the import or export of capital or affect the availability of cash and cash equivalents for our use or (ii) affect the remittance of dividends, interests or other payments to non-resident holders of our securities. There are no limitations on the right of non-resident or foreign owners to hold or vote the ordinary shares or the ADSs imposed by Hong Kong law or by our Articles of Association or other constituent documents.

Taxation — Mainland of China

This section describes certain PRC tax consequences relating to the ownership and disposition of our ordinary shares and ADSs. This section does not address all possible PRC tax considerations that may be relevant to an investment in our ordinary shares or ADSs in light of an investor’s specific circumstances, and is based on PRC tax laws and relevant interpretations as in effect as of the date of this annual report on Form 20-F, which are subject to change, including the possibility of having retroactive effect. Accordingly, you should consult your own tax advisor regarding the PRC and other tax consequences of an investment in our ordinary shares or ADSs under your particular circumstances.

Under the PRC Enterprise Income Tax Law and its implementing rules, which took effect since January 1, 2008, or the PRC income tax law, a non-resident enterprise is generally subject to PRC enterprise income tax with respect to PRC-sourced income. Moreover, the PRC tax authorities have been issuing further interpretations and notices to enhance the application of the PRC income tax law.

Taxation of Dividends

On April 22, 2009, the PRC State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Tax Residence Status of Chinese-Controlled Offshore-Incorporated Enterprises on the Basis of De Facto Management Bodies, or the 2009 Notice, which had retroactive effect as of January 1, 2008. We are considered a PRC resident enterprise for purposes of the 2009 Notice. In accordance with the 2009 Notice and the PRC income tax law, we are 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 our register of members, as of the record date for such dividend, and who were not individuals.

Taxation of Capital Gains

Under the PRC income tax law, a non-resident enterprise is generally subject to PRC enterprise income tax with respect to PRC-sourced income, but uncertainties remain as to their implementation by the relevant PRC tax authorities. We intend to comply with any interpretation or notice in relation to the taxation of capital gains issued by the PRC tax authorities in the future.

Other PRC Tax Considerations

Stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty and its implementing rules, both of which became effective on October 1, 1988, PRC stamp duty should not apply to acquisitions or dispositions of our ordinary shares or ADSs outside the PRC, as the PRC stamp duty is imposed only on documents executed or received within the PRC that are legally binding in the PRC and protected under the PRC law.

Estate tax. The PRC does not currently levy estate tax.

Taxation — Hong Kong

Hong Kong stamp duty, charged at the rate of 0.1% currently (or 0.13% with effect from August 1, 2021 as explained below) on the higher of the consideration for or the value of the ordinary shares, will be payable by the purchaser on every purchase and by the seller on every sale of ordinary shares (i.e., a total of 0.2% currently (or 0.26% with effect from August 1, 2021 as explained below) is payable on a typical sale and purchase transaction involving ordinary shares). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of ordinary shares. If one of the parties to the sale is a non-Hong Kong resident and does not pay the required stamp duty, the duty not paid will be assessed on the instrument of transfer (if any) and the transferee will be liable for payment of such duty. The withdrawal of ordinary shares upon the surrender of ADSs, and the issuance of ADSs upon the deposit of ordinary shares, will also attract stamp duty at the rate described above for sale and purchase transactions unless the withdrawal or deposit does not result in a change in the beneficial ownership of the ordinary shares under Hong Kong law, in which case only a fixed duty of HK\$5 is payable on the transfer. The issuance of the ADSs upon the deposit of ordinary shares issued directly to the depository or for the account of the depository does not attract stamp duty. No Hong Kong stamp duty is payable upon the transfer of ADSs outside Hong Kong. On February 24, 2021, the government of Hong Kong announced to increase the stamp duty on the sale and purchase of “Hong Kong stock” (which includes the ordinary shares) by 30% with effect from August 1, 2021, subject to the completion of the necessary legislative process which is ongoing as of the date of this annual report.

Tax on Dividends

Under the current practices of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us, either by withholding or otherwise, unless such dividends are attributable to a trade, profession or business carried on in Hong Kong.

Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property (such as the ordinary shares and ADSs). Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% and 15% on corporations and unincorporated businesses, respectively (except that the respective half-rates of 8.25% and 7.5% apply for the first HK\$2 million of assessable gains for years of assessment beginning on or after April 1, 2018), and at a maximum rate of 15% on individuals. Gains from sales of the ordinary shares effected on the Hong Kong Stock Exchange may be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax may thus arise in respect of trading gains from sales of ordinary shares or ADSs realized by persons carrying on a business or trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the rate of HK\$1 per HK\$1,000 or part thereof on the higher of the consideration for or the value of the ordinary shares, will be payable by the purchaser on every purchase and by the seller on every sale of ordinary shares (i.e., a total of HK\$2 per HK\$1,000 or part thereof is currently payable on a typical sale and purchase transaction involving ordinary shares). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of ordinary shares. If one of the parties to the sale is a non-Hong Kong resident and does not pay the required stamp duty, the duty not paid will be assessed on the instrument of transfer (if any) and the transferee will be liable for payment of such duty. The withdrawal of ordinary shares upon the surrender of ADSs, and the issuance of ADSs upon the deposit of ordinary shares, will also attract stamp duty at the rate described above for sale and purchase transactions unless the withdrawal or deposit does not result in a change in the beneficial ownership of the ordinary shares under Hong Kong law, in which case only a fixed duty of HK\$5 is payable on the transfer. The issuance of the ADSs upon the deposit of ordinary shares issued directly to the depository or for the account of the depository does not attract stamp duty. No Hong Kong stamp duty is payable upon the transfer of ADSs outside Hong Kong.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of ordinary shares whose death occurs on or after February 11, 2006.

Taxation — United States Federal Income Taxation

This section describes the material United States federal income tax consequences of the ownership and disposition of our ordinary shares or ADSs. This section applies to you only if you are a U.S. holder, as defined below, and you hold your ordinary shares or ADSs as capital assets for United States federal income tax purposes. This discussion addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to a US holder in light of its individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock;
- a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction for U.S. federal income tax purposes;
- a person that purchases or sells ordinary shares or ADSs as part of a wash sale for U.S. federal income tax purposes; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the agreement between the United States and the PRC for the avoidance of double taxation (the “U.S.-PRC Treaty”). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depository, and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds the ordinary shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of its investment in the ordinary shares or ADSs.

You are a U.S. holder if you are a beneficial owner of ordinary shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation (or an entity treated as a domestic corporation);
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local tax consequences of owning and disposing of ordinary shares and ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the ordinary shares represented by those ADRs. Exchanges of ordinary shares for ADRs, and ADRs for ordinary shares, generally will not be subject to the United States federal income tax.

The tax treatment of your ordinary shares or ADSs will depend in part on whether or not we are classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. Except as discussed below under “— PFIC Rules,” this discussion assumes that we are not classified as a PFIC for U.S. federal income tax purposes.

Taxation of Dividends

The gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes), other than certain pro-rata distributions of the ordinary shares, is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the ordinary shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the ADSs will be qualified dividend income provided that, in the year that you receive the dividend, either (i) the ADSs are readily tradable on the NYSE or another established securities market in the United States or (ii) we are eligible for the benefits of the U.S.-PRC Treaty. As discussed above in “Risk Factors — Risks Relating to Our Business — Transactions in and possession of our ordinary shares and ADSs by U.S. persons beyond specified dates are prohibited, and the continued listing of our ADSs are subject to significant uncertainty,” our ADSs cannot currently be traded on the NYSE. As a result, as long as that is the case, dividends paid with respect to ADSs will only be qualified dividend income if we are eligible for the benefits of the U.S.-PRC Treaty. We are uncertain as to whether we are eligible for the benefits of the U.S.-PRC Treaty. It is therefore uncertain whether dividends paid that we pay with respect to ADSs or our ordinary shares will be treated as qualified dividend income that is taxable at preferential rates.

Dividends that we pay will be taxable to you when you, in the case of ordinary shares, or the Depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Hong Kong dollar payments made, determined at the spot Hong Kong dollar-U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is, in fact, converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period (if any) from the date you include the dividend payment in income to the date you, or the Depository on your behalf, converts the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ordinary shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates.

Dividends will generally be income from sources outside the United States and will generally be “passive” income for purposes of computing the foreign tax credit allowable to you. If you are subject to PRC withholding tax (as discussed in “Taxation — Mainland of China — Taxation of Dividends,” above), you must include any such tax withheld from the dividend payment in your gross income, even though you do not in fact receive it. Subject to certain limitations, the PRC tax withheld and paid over to the PRC tax authorities will be creditable against your United States federal income tax liability. To the extent a refund or reduction of the tax withheld is available under PRC law, or to the extent that you could have avoided or reduced the withholding tax by complying with any certification, identification requirement or by completing any forms, the amount of tax withheld that is refundable or that could have been avoided or reduced will not be eligible for credit against your United States federal income tax liability.

Taxation of Capital Gains

If you sell or otherwise dispose of your ordinary shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ordinary shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. Subject to the paragraph immediately below regarding gain subject to PRC tax, the gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Your ability to deduct capital losses is subject to limitations. Any Hong Kong stamp duty that you pay upon a sale of ordinary shares will not be a creditable tax for United States federal income tax purposes, although the proceeds that you are treated as receiving upon a sale of ordinary shares will be reduced by the amount of the stamp duty.

It is not clear if PRC tax will be imposed on any gain from the disposition of your ordinary shares or ADSs (as discussed above in “Taxation — Mainland of China — Taxation of Capital Gains”). Under the U.S.-PRC Treaty, if PRC tax were to be imposed on any gain from the disposition of your ordinary shares or ADSs, then such gain will be treated as PRC source income if you are eligible for the benefits of the U.S.-PRC Treaty. U.S. holders should consult their tax advisors regarding the possibility of PRC tax being imposed on gain from the disposition of their ordinary shares or ADSs, the tax consequences if PRC tax were to be imposed on such dispositions, and the availability of the foreign tax credit under their particular circumstances.

PFIC Rules

We believe that we should not currently be treated as a passive foreign investment company, or PFIC, for United States federal income tax purposes and we do not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year. In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or ordinary shares:

- at least 75% of our gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns, directly or indirectly, at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income.

If we are treated as a PFIC, and you are a U.S. holder that does not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your ordinary shares or ADSs; and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year, other than the taxable year in which your holding period in your ordinary shares or ADSs begins, that are greater than 125% of the average annual distributions received by you in respect of the ordinary shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the ordinary shares or ADSs that preceded the taxable year in which you receive the distribution).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the ordinary shares or ADSs;
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If we are a PFIC and you own ADSs, then you can make a mark-to-market election with respect to the ADSs. If we are a PFIC and you own ordinary shares, then you can make a mark-to-market election if the ordinary shares are treated as marketable stock under the applicable regulations. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ordinary shares or ADSs at the end of the taxable year over your adjusted basis in your ordinary shares or ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your ordinary shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss amounts. Your gain, if any, recognized upon the sale of your ordinary shares or ADSs will be taxed as ordinary income.

In addition, notwithstanding any election you make with regard to the ordinary shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Moreover, subject to the following sentence, your ordinary shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ordinary shares or ADSs, even if we are not currently a PFIC. The rule in the preceding sentence will not apply, however, if you had a mark-to-market election in effect with respect to your ordinary shares or ADSs in the final year in which we are a PFIC or if you made a special “purging election” with respect to your ordinary shares or ADSs. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income. If you own ordinary shares or ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service Form 8621.

Documents on Display

You may read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

The SEC allows us to “incorporate by reference” the information we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to market rate risks due to fluctuations in interest rates. From time to time, we may enter into interest rate swap agreements designed to mitigate our exposure to interest rate risks, although we did not consider it necessary to do so in 2020.

We are also exposed to foreign currency risk relating to cash and cash equivalents denominated in foreign currencies. We may enter into foreign exchange forward contracts designed to mitigate our exposure to foreign currency risks. As of December 31, 2020, we had no foreign exchange forward contracts outstanding. We expect our foreign currency hedging activity to be generally limited to the hedging of specific future commitments in foreign currencies.

The following table provides information regarding our foreign currency-sensitive financial instruments and transactions, which consist of restricted bank deposits, bank deposits and cash and cash equivalents as of the dates indicated.

	Expected Maturity Date						As of December 31, 2020		As of December 31, 2019	
	2021	2022	2023	2024	2025	Thereafter	Total	Fair	Total	Fair
							Recorded Amount	Value	Recorded Amount	Value
(RMB equivalent in millions)										
On-balance sheet financial instruments										
Restricted bank deposits:										
in U.S. dollars	5	—	—	—	—	—	5	5	3	3
in Hong Kong dollars	—	—	—	—	—	—	—	—	—	—
Bank deposits:										
in U.S. dollars	1,045	—	—	—	—	—	1,045	1,045	1,409	1,409
in Hong Kong dollars	5,432	—	—	—	—	—	5,432	5,432	5,267	5,267
Cash and cash equivalents:										
in U.S. dollars	1,870	—	—	—	—	—	1,870	1,870	2,814	2,814
in Hong Kong dollars	1,622	—	—	—	—	—	1,622	1,622	1,511	1,511

Item 12. Description of Securities Other than Equity Securities.

The Bank of New York Mellon, located at 240 Greenwich Street, New York, New York 10286, USA, as the depository of our ADSs, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may refuse to provide delivery of ADSs or deposited shares or to provide any distributions until its fees for those services are paid.

ADR holders must pay:

- US\$5 (or less) per 100 ADSs (or portion thereof)
- US\$0.02 (or less) per ADS
- Registration or transfer fees
- Expenses of the depository
- Taxes and other governmental charges the depository or the custodian has to pay on any ADS or share underlying an ADS; for example, stock transfer taxes, stamp duty or withholding taxes

For:

- Each issuance of an ADS, including as a result of a distribution of shares or rights or other property
- Each cancellation of an ADS, including if the deposit agreement terminates
- Each distribution of securities, other than shares or ADSs, treating the securities as if they were shares for the purpose of calculating fees
- Any cash distribution (not including cash dividend distribution)
- Transfer and registration of shares on the share register of our transfer agent and the registrar in Hong Kong from an ADR holder's name to the name of the depository or its agent when the ADR holder deposit or withdraw shares
- Conversion of Hong Kong dollars to U.S. dollars
- Cable, telex and facsimile transmission expenses
- As necessary

The Bank of New York Mellon, as the depository, has agreed to pay for certain expenses incurred in connection with our shareholders' meetings. The amount of such expenses paid by the Bank of New York Mellon in 2020 was nil, net of withholding tax. The Bank of New York Mellon has also agreed to waive certain fees for standard costs associated with the administration of the ADR program, and the amount of such fees waived in 2020 was US\$117,003.51.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including, without limitation, that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2020, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2020, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting is set forth below.

Management's Report on Internal Control Over Financial Reporting

Management of China Mobile Limited (together with its consolidated subsidiaries, the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

As of December 31, 2020, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of the Company's internal control over financial reporting using criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, as stated in their report dated April 28, 2021 appearing on page F-2 of this annual report on Form 20-F.

/s/ DONG Xin

Name: DONG Xin

Title: Executive Director and Chief Executive Officer

/s/ LI Ronghua

Name: LI Ronghua

Title: Executive Director and Chief Financial Officer

Changes in Internal Control Over Financial Reporting. During 2020, no change to our internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert.

All members of our audit committee have extensive management experience. In particular, Mr. Stephen K.W. YIU has many years of accounting and finance experience and expertise. For detailed biographical information of Mr. Yiu, see “Item 6. Directors, Senior Management and Employees — Directors and Senior Management.” Our board of directors has determined that Mr. Yiu is qualified as an “audit committee financial expert,” as defined in Item 16A of Form 20-F. All audit committee members satisfy the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual.

Item 16B. Code of Ethics.

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, Assistant Chief Financial Officer and our other designated senior officers. A copy of our Code of Ethics for Covered Officers was filed as Exhibit 11.1 to our annual report on Form 20-F for the fiscal year ended December 31, 2003, and may also be downloaded from our website at <http://www.chinamobileltd.com/en/about/cg/ethics.pdf>. Information contained on that website is not a part of this annual report on Form 20-F. Copies of our Code of Ethics for Covered Officers may also be obtained at no charge by writing to our investor relations department at 60/F, The Center, 99 Queen’s Road Central, Hong Kong.

Item 16C. Principal Accountant Fees and Services.

The following table sets forth the aggregate audit fees, audit-related fees, tax fees of our principal accountants and all other fees billed for services provided by our principal accountants other than the audit fees, audit-related fees and tax fees in 2019 and 2020:

	<u>Audit Fees⁽¹⁾</u>	<u>Audit-Related Fees</u> (in millions of RMB)	<u>Tax Fees⁽²⁾</u>	<u>All Other Fees⁽²⁾</u>
2019	111	—	2	10
2020	109	—	3	2

(1) Includes the fees for services rendered in connection with the audit of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Includes the fees for tax compliance and advisory services, risk assessment and compliance advisory services, performance improvement and business process optimization advisory services and other advisory services.

Before our principal accountants were engaged by us or our subsidiaries to render audit or non-audit services, the engagement was approved by our audit committee as required by applicable rules and regulations of the SEC.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

None.

Item 16F. Change in Registrant’s Certifying Accountant.

On March 25, 2021, the board of directors of the Company resolved, as recommended by our audit committee, to propose to change our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, after the completion of the audit of our consolidated financial statements as of and for the year ended December 31, 2020 and the effectiveness of our internal control over financial reporting as of December 31, 2020. Such change in our independent registered public accounting firm is due to the relevant regulations issued by the Ministry of Finance and the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. According to the relevant regulations, there are restrictions in respect of the number of years of audit services that an accounting firm can continuously provide to a central state-owned enterprise and its subsidiaries. As a result, PricewaterhouseCoopers Zhong Tian LLP will be dismissed at completion of their term as the independent registered public accounting firm in connection with the relevant regulations with effect from the conclusion of the forthcoming annual general meeting of the Company and will not be re-appointed.

None of the auditors' reports issued by PricewaterhouseCoopers Zhong Tian LLP on our financial statements as of and for the fiscal years ended December 31, 2019 and 2020 contained an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles. During the two fiscal years ended December 31, 2019 and 2020 and through April 28, 2021, there were no disagreements (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F) with PricewaterhouseCoopers Zhong Tian LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to PricewaterhouseCoopers Zhong Tian LLP's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their report on the consolidated financial statements for such years. During the two most recent fiscal years ended December 31, 2019 and 2020 and through April 28, 2021, there have been no "reportable events" (hereinafter defined) requiring disclosure pursuant to Item 16F(a)(1)(v) of Form 20-F. As used herein, the term "reportable event" means any of the items listed in paragraphs (a)(1)(v)(A)-(D) of Item 16F of Form 20-F.

We have provided PricewaterhouseCoopers Zhong Tian LLP with a copy of the foregoing disclosure under this Item 16F and have requested that PricewaterhouseCoopers Zhong Tian LLP furnish to us a letter addressed to the SEC stating whether or not PricewaterhouseCoopers Zhong Tian LLP agrees with such disclosure. A copy of the letter is filed as Exhibit 15.1 to this Form 20-F.

On March 25, 2021, our board of directors resolved, as recommended by our audit committee, to propose to appoint KPMG Huazhen LLP as our new independent registered public accounting firm. Such appointment will, if approved at our forthcoming annual general meeting, become effective upon the close of such meeting. During the two fiscal years ended December 31, 2019 and 2020 and through April 28, 2021, neither we nor any person on our behalf consulted with KPMG Huazhen LLP regarding either (i) the application of accounting principles to a specific completed or proposed transaction or regarding the type of audit opinion that might be rendered on our financial statements and no written report or oral advice was provided that KPMG Huazhen LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issues, or (ii) any matter being the subject of disagreement (as defined in Item 16F(a)(1)(iv) and the instructions to Item 16F of Form 20-F) or reportable event (as defined in Item 16F(a)(1)(v) of Form 20-F).

Item 16G. Corporate Governance.

As a foreign private issuer (as defined in Rule 3b-4 under the Exchange Act), 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 New York Stock Exchange. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on the New York Stock Exchange.

The significant differences between our corporate governance practices and those required to be followed by U.S. companies under the New York Stock Exchange's listing standards include:

Section 303A.01 of the New York Stock Exchange Listed Company Manual provides that listed companies must have a majority of independent directors. As a listed company in Hong Kong, we are subject to the requirement under the Hong Kong Listing Rules that at least one-third of our board of directors shall be independent non-executive directors as determined under the Hong Kong Listing Rules. We currently have four independent directors out of a total of eight directors. The Hong Kong Listing Rules set forth standards for establishing independence, which differ from those set forth in the New York Stock Exchange Listed Company Manual.

Section 303A.03 of the New York Stock Exchange 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 the chairman of a listed company in Hong Kong should hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the presence of the executive directors. In 2020, our Audit Committee comprising four independent non-executive directors met twice with our external auditors without any executive directors present.

Section 303A.04 of the New York Stock Exchange 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 of directors is responsible for performing the corporate governance duties, including developing and reviewing our policies and practices on corporate governance guidelines.

Section 303A.07 of the New York Stock Exchange Listed Company Manual provides that if an audit committee member simultaneously serves on the audit committees of more than three public companies, 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. We are not required, under the applicable Hong Kong law, to make such determination.

Section 303A.10 of the New York Stock Exchange Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. While we are not required, under the Hong Kong Listing Rules, to adopt such a similar code, as required under the Sarbanes-Oxley Act of 2002, we have adopted a code of ethics that is applicable to our principal executive officer(s), principal financial officer(s), principal accounting officer(s) or persons performing similar functions.

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

Item 16H. Mine Safety Disclosure.

Not applicable.

PART III

Item 17. Financial Statements.

Not applicable.

Item 18. Financial Statements.

The following financial statements are filed as part of this annual report on Form 20-F.

China Mobile Limited:

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Item 19. Exhibits.

- (a) See Item 18 for a list of the financial statements filed as part of this annual report on Form 20-F.
- (b) Exhibits to this annual report on Form 20-F:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1	Articles of Association (as currently in effect). ⁽¹¹⁾
1.2	Articles of Association (as proposed to be amended and subject to approval by the shareholders at the forthcoming annual general meeting of the Company).
2.1	We agree to provide the SEC, upon request, copies of instruments defining the rights of holders of our long-term debt.
2.2	Letter of Guarantee from China Mobile Communications Corporation for the RMB3,000 million guaranteed bonds due 2007 and RMB5,000 million guaranteed bonds due 2017, both issued by Guangdong Mobile in 2002 (with English translation). ⁽¹⁾
2.3	Form of Deposit Agreement dated as of October 23, 1997, as amended and restated as of July 5, 2000, and as further amended and restated as of May 30, 2006, among China Mobile Limited, The Bank of New York as Depository, and all Owners and Beneficial Owners from time to time of American Depository Receipts issued thereunder. ⁽²⁾
2.4	Description of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended.
4.1	Agreement on Sharing of Administrative Services and Administrative Costs, dated April 27, 2004, between China Mobile Communication Co., Ltd. and China Mobile Communications Corporation (with English translation). ⁽³⁾
4.2	Agreement regarding Settlement of Interconnection and Roaming, Transmission Line Leasing, Usage of Spectrum Frequency and Numbering Resources, dated July 1, 2004, between China Mobile (Hong Kong) Limited and China Mobile Communications Corporation (with English translation). ⁽⁴⁾
4.3	Tripartite Agreement on the Transfer of Rights and Obligations Relating to the Interconnection and Settlement Arrangements, dated November 13, 2008, among China Mobile Communications Corporation, China Tietong Telecommunications Corporation and China Mobile Limited (with English translation). ⁽⁵⁾
4.4	TD-SCDMA Network Capacity Leasing Agreement, dated December 29, 2008, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁵⁾

- 4.5 Telecommunications Services Cooperation Agreement, dated November 6, 2009, between China Mobile Communications Corporation and China Mobile Limited (with English translation).⁽⁶⁾
- 4.6 Share Subscription Agreement, dated March 10, 2010, between China Mobile Group Guangdong Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. (with English summary).⁽⁶⁾
- 4.7 Property Leasing and Management Services Agreement for the Years from 2011 to 2013, dated December 21, 2010, between China Mobile Limited and China Mobile Communications Corporation (with English translation).⁽⁷⁾
- 4.8 Telecommunications Services Agreement for the Years from 2011 to 2013, dated December 21, 2010, between China Mobile Limited and China Mobile Communications Corporation (with English translation).⁽⁷⁾
- 4.9 Network Assets Leasing Agreement, dated August 18, 2011, between China Mobile Communications Corporation and China Mobile Limited (with English translation).⁽⁸⁾
- 4.10 Amendment and Transfer Agreement in connection with the Agreement regarding Settlement of Interconnection and Roaming, Transmission Line Leasing, Usage of Spectrum Frequency and Numbering Resources, dated September 13, 2012, between China Mobile Limited, China Mobile International Limited, China Mobile Communications Corporation and China Mobile Communication Co., Ltd. (with English translation).⁽⁹⁾
- 4.11 Property Leasing and Management Services Agreement for the Years from 2014 to 2016, dated August 15, 2013, between China Mobile Limited and China Mobile Communications Corporation (with English translation).⁽¹⁰⁾
- 4.12 Telecommunications Services Agreement for the Years from 2014 to 2016, dated August 15, 2013, between China Mobile Limited and China Mobile Communications Corporation (with English translation).⁽¹⁰⁾
- 4.13 Promoters' Agreement, dated July 11, 2014, among China Mobile Communication Co., Ltd., China United Network Communications Corporation Limited, and China Telecom Corporation Limited (with English translation).⁽¹¹⁾
- 4.14 Agreement on Purchase of Existing Telecommunications Towers and Related Assets by Issuing Shares and Paying Cash Consideration, dated October 14, 2015, among China Mobile Communication Co., Ltd., China United Network Communications Corporation Limited, China Telecom Corporation Limited, China Reform Holdings Corporation Limited and China Tower Corporation Limited (with English translation).⁽¹²⁾
- 4.15 Agreement on the Transfer of Business and Assets of China Tietong Telecommunications Corporation, dated November 27, 2015, between China Mobile Tietong Company Limited and China Tietong Telecommunications Corporation (with English translation).⁽¹²⁾
- 4.16 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Anhui Co., Ltd. and China Tower Corporation Limited (with English translation).⁽¹²⁾
- 4.17 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Henan Co., Ltd. and China Tower Corporation Limited (with English translation).⁽¹²⁾
- 4.18 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Hebei Co., Ltd. and China Tower Corporation Limited (with English translation).⁽¹²⁾
- 4.19 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Guangdong Co., Ltd. and China Tower Corporation Limited (with English translation).⁽¹²⁾

- 4.20 [Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Jiangsu Co., Ltd. and China Tower Corporation Limited \(with English translation\).](#)⁽¹²⁾
- 4.21 [Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Shandong Co., Ltd. and China Tower Corporation Limited \(with English translation\).](#)⁽¹²⁾
- 4.22 [Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Zhejiang Co., Ltd. and China Tower Corporation Limited \(with English translation\).](#)⁽¹²⁾
- 4.23 [Commercial Pricing Agreement, dated July 8, 2016, between China Mobile Communication Company Limited and China Tower Corporation Limited \(with English translation\).](#)⁽¹³⁾
- 4.24 [Property Leasing and Management Services Agreement for the Years from 2017 to 2019, dated August 11, 2016, between China Mobile Limited and China Mobile Communications Corporation \(with English translation\).](#)⁽¹³⁾
- 4.25 [Trademark Licensing Agreement, entered into in December 2017, between China Mobile Communications Corporation, China Mobile Limited and China Mobile Communication Co., Ltd. \(with English translation\).](#)⁽¹⁴⁾
- 4.26 [Supplementary Agreement to Commercial Pricing Agreement, dated January 31, 2018, between China Mobile Communication Co., Ltd. and China Tower Corporation Limited \(with English translation\).](#)⁽¹⁴⁾
- 4.27 [Assets Transfer Agreements, dated August 9, 2019, between the subsidiaries of China Mobile Limited in the relevant provinces, as purchasers, and the subsidiaries of China Mobile Communications Group Co., Ltd. in such provinces, as vendors \(with English translation\).](#)⁽¹⁵⁾
- 4.28 [2020 Network Assets Leasing Agreement, dated January 2, 2020, between China Mobile Limited and China Mobile Communications Group Co., Ltd. \(with English translation\).](#)⁽¹⁵⁾
- 4.29 [2020–2022 Property Leasing and Management Services Agreement, dated January 2, 2020, between China Mobile Limited and China Mobile Communications Group Co., Ltd. \(with English translation\).](#)⁽¹⁵⁾
- 4.30 [2020 Telecommunication Facilities Construction Services Agreement, dated January 2, 2020, between China Mobile Limited and China Mobile Communications Group Co., Ltd. \(with English translation\).](#)⁽¹⁵⁾
- 4.31 [2021 Telecommunications Network Operation Assets Leasing Agreement, dated January 8, 2021, between China Mobile Limited and China Mobile Communications Group Co., Ltd. \(with English translation\).](#)
- 8.1 [List of Major Subsidiaries.](#)
- 11.1 [Code of Ethics.](#)⁽³⁾
- 12.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\).](#)
- 12.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\).](#)
- 13.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(b\).](#)
- 13.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(b\).](#)

15.1	<u>Letter from PricewaterhouseCoopers Zhong Tian LLP</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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- (1) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (File No. 1-14696), filed with the SEC on June 17, 2003.
 - (2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-204640) filed with the SEC with respect to American Depository Shares representing our shares.
 - (3) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14696), filed with the SEC on June 17, 2004.
 - (4) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-14696), filed with the SEC on June 13, 2005.
 - (5) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 1-14696), filed with the SEC on June 23, 2009.
 - (6) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 1-14696), filed with the SEC on June 7, 2010.
 - (7) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2010 (File No. 1-14696), filed with the SEC on April 27, 2011.
 - (8) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 1-14696), filed with the SEC on April 25, 2012.
 - (9) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 1-14696), filed with the SEC on April 25, 2013.
 - (10) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2013 (File No. 1-14696), filed with the SEC on April 25, 2014.
 - (11) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2014 (File No. 1-14696), filed with the SEC on April 24, 2015.
 - (12) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 1-14696), filed with the SEC on April 26, 2016.
 - (13) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2016 (File No. 1-14696), filed with the SEC on April 27, 2017.
 - (14) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2017 (File No. 1-14696), filed with the SEC on April 26, 2018.
 - (15) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2019 (File No. 1-14696), filed with the SEC on April 28, 2020.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on Form 20-F on its behalf.

CHINA MOBILE LIMITED

By: /s/ DONG Xin
Name: DONG Xin
Title: Executive Director and Chief Executive Officer

Date: April 28, 2021

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of China Mobile Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of China Mobile Limited and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue from contracts with customers and the manner in which it accounts for financial instruments in 2018.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – Identification of Distinct Performance Obligations and Allocation of Transaction Prices among Various Performance Obligations

As described in Note 2(r) and Note 4 to the consolidated financial statements, the Company mainly provides voice, data and other telecommunications services and sells telecommunication related products to its customers. The Company's consolidated operating revenues were RMB768,070 million for the year ended December 31, 2020. Management identifies multiple distinct performance obligations in certain bundled package contracts such as the provision of services, products and/or customer point rewards. Management allocates the transaction price to each performance obligation based on the relative stand-alone selling price. Management exercises significant judgement in identifying the distinct performance obligations and estimating the stand-alone selling price of each distinct performance obligation.

The principal considerations for our determination that performing procedures relating to the identification of performance obligations and the determination of the stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations is a critical audit matter are that there were significant judgements by management in identifying the distinct performance obligations and estimating the stand-alone selling price of each distinct performance obligation due to the variety of tariffs and package structures and complexity of multiple performance obligation arrangements. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the identification of distinct performance obligations and determination of stand-alone selling price in the allocation of transaction prices among various performance obligations for revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over management's identification of distinct performance obligations, and determination of stand-alone selling price in the allocation of transaction prices among various performance obligations. These procedures also included, among others, (i) evaluating the appropriateness of the accounting policies adopted in revenue recognition for existing and new revenue streams including multiple performance obligation arrangements, and the appropriateness of related judgements made by management; (ii) examining management's identification of the performance obligations and determination of stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations, and testing the accuracy of revenue recognized for each performance obligation, by using sampling techniques.

Impairment Assessment on the Interest in Associates

As described in Note 2(d) and (j), Note 21 and Note 41 to the consolidated financial statements, the Company held interests in associates, which were accounted for using the equity method of accounting. Among which, the Company's investment in Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank"), a company listed on the Shanghai Stock Exchange of China, amounted to RMB102,102 million as of December 31, 2020. The Company identified that the carrying amount of its investment in SPD Bank had exceeded its market value as of December 31, 2020. Hence, the Company performed an impairment assessment on this investment by assessing its recoverable amount based on value-in-use as determined by the discounted cash flow model. Based on the assessment result, management determined that there was no impairment loss in this investment made in the associate.

The principal considerations for our determination that performing procedures relating to impairment assessment on the interest in SPD Bank is a critical audit matter are that there were significant judgements and estimates made by the management in determining its recoverable amount. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's key assumptions adopted in the model. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's process for preparing the impairment assessment, including controls over the determination of the recoverable amount of its investment in SPD Bank. These procedures also included, among others, (i) evaluating management's process for preparing its impairment assessment and evaluating management's prior years' experience and the critical judgements exercised in the assessment; (ii) assessing the recoverable amount based on its value-in-use as determined by the discounted cash flow model; and examining input data and documentation supporting the key judgements and underlying assumptions adopted in projecting and estimating future cash flows, including the growth rate, the margin rate and the discount rate, with consideration of external evidence and the degree of historical accuracy of management's assumptions and projections in achieving the forecasts; (iii) testing mathematical accuracy and considering the appropriateness of the cash flows included in the discounted cash flow model; and (iv) checking sensitivity analysis performed around the key assumptions to ascertain the extent to which adverse changes, both individually or in aggregate, in those assumptions adopted would indicate that the investment was impaired. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discounted cash flow model and certain significant assumptions, including the discount rate.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 28, 2021

We have served as the Company's auditor since 2013.

Consolidated Statements of Comprehensive Income
for the year ended December 31
(Expressed in Renminbi (“RMB”))

	Note	2020 Million	2019 Million	2018 Million
Operating revenue	4			
Revenue from telecommunications services		695,692	674,392	670,907
Revenue from sales of products and others		72,378	71,525	65,912
		<u>768,070</u>	<u>745,917</u>	<u>736,819</u>
Operating expenses				
Network operation and support expenses	5	206,424	175,810	200,007
Depreciation and amortization		172,401	182,818	154,154
Employee benefit and related expenses	6	106,429	102,518	93,939
Selling expenses		49,943	52,813	60,326
Cost of products sold		73,100	72,565	66,231
Other operating expenses	7	47,039	46,244	40,775
		<u>655,336</u>	<u>632,768</u>	<u>615,432</u>
Profit from operations		<u>112,734</u>	<u>113,149</u>	<u>121,387</u>
Other gains	8	5,602	4,029	2,906
Interest and other income	9	14,341	15,560	15,885
Finance costs	10	(2,996)	(3,246)	(144)
Income from investments accounted for using the equity method		12,678	12,641	13,861
Profit before taxation		<u>142,359</u>	<u>142,133</u>	<u>153,895</u>
Taxation	13(a)	<u>(34,219)</u>	<u>(35,342)</u>	<u>(35,944)</u>
PROFIT FOR THE YEAR		<u>108,140</u>	<u>106,791</u>	<u>117,951</u>

Consolidated Statements of Comprehensive Income (Continued)
for the year ended December 31
(Expressed in RMB)

	Note	2020 Million	2019 Million	2018 Million
Other comprehensive income for the year, net of tax:				
Items that will not be subsequently reclassified to profit or loss				
Changes in the fair value of equity investments at fair value through other comprehensive income		957	(75)	(168)
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(32)	14	60
Items that may be subsequently reclassified to profit or loss				
Currency translation differences		(1,915)	683	1,160
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(585)	428	1,188
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>106,565</u>	<u>107,841</u>	<u>120,191</u>
Profit attributable to:				
Equity shareholders of the Company		107,843	106,641	117,781
Non-controlling interests		297	150	170
PROFIT FOR THE YEAR		<u>108,140</u>	<u>106,791</u>	<u>117,951</u>
Total comprehensive income attributable to:				
Equity shareholders of the Company		106,268	107,691	120,021
Non-controlling interests		297	150	170
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>106,565</u>	<u>107,841</u>	<u>120,191</u>
Earnings per share – Basic	14(a)	<u>RMB 5.27</u>	<u>RMB 5.21</u>	<u>RMB 5.75</u>
Earnings per share – Diluted	14(b)	<u>RMB 5.27</u>	<u>RMB 5.18</u>	<u>RMB 5.75</u>

The notes on pages F-16 to F-107 are an integral part of these consolidated financial statements.

Consolidated Balance Sheets
as of December 31
(Expressed in RMB)

	Note	As of December 31, 2020 Million	As of December 31, 2019 Million
Assets			
Non-current assets			
Property, plant and equipment	15	705,547	674,832
Construction in progress	16	71,651	67,978
Right-of-use assets	17(a)	65,091	74,308
Land use rights	18	16,192	16,489
Goodwill	19	35,344	35,343
Other intangible assets		7,213	3,475
Investments accounted for using the equity method	21	161,811	155,228
Deferred tax assets	22	38,998	32,628
Financial assets at fair value through other comprehensive income	23	1,111	513
Restricted bank deposits	24	8,836	10,063
Other non-current assets	25	36,345	28,517
		<u>1,148,139</u>	<u>1,099,374</u>
Current assets			
Inventories	26	8,044	7,338
Contract assets	4(a)	3,841	5,003
Accounts receivable	27	38,401	32,694
Other receivables	28	46,647	34,133
Prepayments and other current assets	28	25,713	26,708
Amount due from ultimate holding company	29	1,396	1,350
Prepaid income tax		1,157	1,278
Financial assets at fair value through profit or loss	23	128,603	114,259
Restricted bank deposits	24	2,830	371
Bank deposits	30	110,382	130,799
Cash and cash equivalents	31	212,729	175,933
		<u>579,743</u>	<u>529,866</u>
Total assets		<u><u>1,727,882</u></u>	<u><u>1,629,240</u></u>

Consolidated Balance Sheets (Continued)
as of December 31
(Expressed in RMB)

	Note	As of December 31, 2020 Million	As of December 31, 2019 Million
Equity and liabilities			
Liabilities			
Current liabilities			
Accounts payable	32	167,990	164,818
Bills payable		4,561	2,896
Deferred revenue	33	79,028	57,825
Accrued expenses and other payables	34	200,952	182,368
Amount due to ultimate holding company	29	26,714	21,677
Income tax payable		13,856	9,815
Lease liabilities		24,173	22,668
		<u>517,274</u>	<u>462,067</u>
Non-current liabilities			
Lease liabilities – non-current		42,460	51,635
Deferred revenue – non-current	33	8,601	6,861
Deferred tax liabilities	22	1,668	1,388
Other non-current liabilities		5,107	—
		<u>57,836</u>	<u>59,884</u>
Total liabilities		<u><u>575,110</u></u>	<u><u>521,951</u></u>

Consolidated Balance Sheets (Continued)
as of December 31
(Expressed in RMB)

	Note	As of December 31, 2020 Million	As of December 31, 2019 Million
Equity			
Share capital	36(a)	402,130	402,130
Reserves		746,786	701,643
Total equity attributable to equity shareholders of the Company		<u>1,148,916</u>	<u>1,103,773</u>
Non-controlling interests		<u>3,856</u>	<u>3,516</u>
Total equity		<u>1,152,772</u>	<u>1,107,289</u>
Total equity and liabilities		<u>1,727,882</u>	<u>1,629,240</u>

The notes on pages F-16 to F-107 are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity
for the year ended December 31
(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC Statutory and other reserves Million	Retained profits Million	Total Million	Non-controlling interests Million	Total equity Million
As of January 1, 2018	402,130	(265,803)	72	(126)	328,344	527,550	992,167	3,245	995,412
Changes in equity for 2018:									
Profit for the year	—	—	—	—	—	117,781	117,781	170	117,951
Changes in the fair value of financial assets at fair value through other comprehensive income	—	(168)	—	—	—	—	(168)	—	(168)
Currency translation differences	—	—	—	1,160	—	—	1,160	—	1,160
Share of other comprehensive income of investments accounted for using the equity method	—	1,248	—	—	—	—	1,248	—	1,248
Total comprehensive income for the year	—	1,080	—	1,160	—	117,781	120,021	170	120,191
Dividends approved in respect of previous year (note 36(b)(ii))	—	—	—	—	—	(27,060)	(27,060)	(10)	(27,070)
Dividends declared in respect of current year (note 36(b)(i))	—	—	—	—	—	(32,870)	(32,870)	—	(32,870)
Transfer to PRC statutory reserves (note 36(c)(ii))	—	—	—	—	19,148	(19,148)	—	—	—
Others	—	—	—	—	147	—	147	(1)	146
As of December 31, 2018	402,130	(264,723)	72	1,034	347,639	566,253	1,052,405	3,404	1,055,809

The notes on pages F-16 to F-107 are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity (Continued)
for the year ended December 31
(Expressed in RMB)

	Attributable to equity shareholders of the Company								Total equity Million
	Share capital Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC Statutory and other reserves Million	Retained profits Million	Total Million	Non-controlling interests Million	
As of December 31, 2018									
(As previously reported)	402,130	(264,723)	72	1,034	347,639	566,253	1,052,405	3,404	1,055,809
Changes in accounting policies (note 3(a))	—	—	—	—	(336)	(2,770)	(3,106)	—	(3,106)
As of January 1, 2019									
(As restated)	402,130	(264,723)	72	1,034	347,303	563,483	1,049,299	3,404	1,052,703
Changes in equity for 2019:									
Profit for the year	—	—	—	—	—	106,641	106,641	150	106,791
Changes in the fair value of financial assets at fair value through other comprehensive income	—	(75)	—	—	—	—	(75)	—	(75)
Currency translation differences	—	—	—	683	—	—	683	—	683
Share of other comprehensive income of investments accounted for using the equity method	—	442	—	—	—	—	442	—	442
Total comprehensive income for the year	—	367	—	683	—	106,641	107,691	150	107,841
Dividends approved in respect of previous year (note 36(b)(ii))	—	—	—	—	—	(25,059)	(25,059)	(38)	(25,097)
Dividends declared in respect of current year (note 36(b)(i))	—	—	—	—	—	(28,206)	(28,206)	—	(28,206)
Transfer to PRC statutory reserves (note 36(c)(ii))	—	—	—	—	1,929	(1,929)	—	—	—
Others	—	—	—	—	48	—	48	—	48
As of December 31, 2019	<u>402,130</u>	<u>(264,356)</u>	<u>72</u>	<u>1,717</u>	<u>349,280</u>	<u>614,930</u>	<u>1,103,773</u>	<u>3,516</u>	<u>1,107,289</u>
As of January 1, 2020	402,130	(264,356)	72	1,717	349,280	614,930	1,103,773	3,516	1,107,289
Changes in equity for 2020:									
Profit for the year	—	—	—	—	—	107,843	107,843	297	108,140
Changes in the fair value of financial assets at fair value through other comprehensive income	—	957	—	—	—	—	957	—	957
Currency translation differences	—	—	—	(1,915)	—	—	(1,915)	—	(1,915)
Share of other comprehensive loss of investments accounted for using the equity method	—	(617)	—	—	—	—	(617)	—	(617)
Total comprehensive income for the year	—	340	—	(1,915)	—	107,843	106,268	297	106,565
Dividends approved in respect of previous year (note 36(b)(ii))	—	—	—	—	—	(32,169)	(32,169)	(11)	(32,180)
Dividends declared in respect of current year (note 36(b)(i))	—	—	—	—	—	(27,557)	(27,557)	—	(27,557)
Transfer to PRC statutory reserves (note 36(c)(ii))	—	—	—	—	1,207	(1,207)	—	—	—
Share option scheme									
-Value of share options (note 35)	—	232	—	—	—	—	232	—	232
Changes in the share of other reserves of investments accounted for using the equity method	—	(430)	—	—	—	—	(430)	—	(430)
Others	—	(94)	—	—	21	(1,128)	(1,201)	54	(1,147)
As of December 31, 2020	<u>402,130</u>	<u>(264,308)</u>	<u>72</u>	<u>(198)</u>	<u>350,508</u>	<u>660,712</u>	<u>1,148,916</u>	<u>3,856</u>	<u>1,152,772</u>

The notes on pages F-16 to F-107 are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
for the year ended December 31
(Expressed in RMB)

	Note	2020 Million	2019 Million	2018 Million
Operating activities				
Profit before taxation		142,359	142,133	153,895
Adjustments for:				
- Depreciation and amortization		172,401	182,818	154,621
- Loss/(gain) on disposal of property, plant and equipment	7	1	(64)	8
- Write-off and impairment of property, plant and equipment	7	1,546	2,975	1,250
- Expected credit impairment losses	7	5,084	5,761	4,635
- Impairment losses of contract assets		(62)	—	—
- Write-down of inventories	7	196	171	155
- Interest and other income	9	(14,341)	(15,560)	(15,885)
- Finance costs	10	2,996	3,246	144
- Dividend income from equity investments at fair value through other comprehensive income		(1)	(2)	—
- Income from investments accounted for using the equity method		(12,678)	(12,641)	(13,861)
- Net exchange (gain)/loss		(32)	67	(46)
- Share-based compensation expenses		232	—	—
Operating cash flows before changes in working capital		<u>297,701</u>	<u>308,904</u>	<u>284,916</u>
(Increase)/decrease in inventories		(902)	1,348	1,212
Decrease/(increase) in contract assets	4(a)	1,228	(64)	(874)
Decrease/(increase) in contract costs	4(a)	1,500	(9,012)	(2,021)
Increase in accounts receivable		(10,812)	(11,981)	(7,058)
Increase in other receivables		(585)	(1,364)	1,784
Decrease/(increase) in prepayments and other current assets		1,538	(3,075)	(2,999)
Increase in amount due from ultimate holding company		(46)	(780)	(348)
(Increase)/decrease in deposited customer reserves	24	(897)	6,447	(4,835)
Increase/(decrease) in accounts payable		7,896	(3,334)	(16,400)
Increase in bills payable		829	794	873
Increase/(decrease) in deferred revenue	33	22,943	(3,380)	(19,588)
Increase in accrued expenses and other payables		18,584	508	4,613
(Decrease)/increase in amount due to ultimate holding company		(32)	(107)	112
Increase in other non-current liabilities		4,923	—	—
Cash generated from operations		<u>343,868</u>	<u>284,904</u>	<u>239,387</u>
Tax paid				
- PRC enterprise income tax paid		(35,776)	(37,300)	(33,003)
- Hong Kong profits tax paid		(331)	(13)	(233)
Net cash generated from operating activities		<u>307,761</u>	<u>247,591</u>	<u>206,151</u>

Consolidated Statements of Cash Flows (Continued)
for the year ended December 31
(Expressed in RMB)

	Note	2020 Million	2019 Million	2018 Million
Investing activities				
Payment for property, plant and equipment		(189,577)	(202,365)	(192,395)
Payment for land use rights		(169)	(355)	(580)
Payment for other intangible assets		(703)	(2,245)	(2,189)
Proceeds from disposal of property, plant and equipment		266	423	8
Decrease/(increase) in bank deposits		15,008	157,709	(11,578)
Increase in restricted bank deposits (excluding deposited customer reserves)	24	(335)	(4,503)	(348)
Interest received		12,999	11,550	11,810
Proceeds from disposal of investments accounted for using the equity method		417	—	—
Payment for investments accounted for using the equity method		(1,346)	(161)	(375)
Dividends received from investments accounted for using the equity method	21	4,362	2,299	691
Purchase of financial assets at fair value through profit or loss	23	(114,893)	(161,343)	(116,810)
Maturity of financial assets at fair value through profit or loss	23	103,479	129,505	110,087
Purchase of financial assets at fair value through other comprehensive income	23	(205)	—	(711)
Proceeds from disposal of financial assets at fair value through other comprehensive income	23	500	—	—
Short-term loans granted by China Mobile Finance and payment for other investments		(34,335)	(11,464)	(16,210)
Maturity of short-term loans granted by China Mobile Finance and other investments		16,414	16,810	6,367
Others		12	(66)	2
Net cash used in investing activities		(188,106)	(64,206)	(212,231)

Consolidated Statements of Cash Flows (Continued)
for the year ended December 31
(Expressed in RMB)

	Note	2020 Million	2019 Million	2018 Million
Financing activities				
Interest paid in relation to short-term deposits placed by ultimate holding company		(170)	(187)	(142)
Dividends paid to the Company's equity shareholders	36(b)	(59,726)	(53,265)	(59,930)
Dividends paid to non-controlling shareholders of subsidiaries		(11)	(38)	(10)
Short-term deposits placed by ultimate holding company	37(a)	26,706	21,637	10,873
Repayment of short-term deposits placed by ultimate holding company	37(a)	(21,637)	(10,873)	(8,611)
Repayment of principal and interest of lease liabilities		(27,346)	(22,175)	—
Payment of Hong Kong 5G spectrum utilization fee and its interest		(68)	—	—
Net cash used in financing activities		<u>(82,252)</u>	<u>(64,901)</u>	<u>(57,820)</u>
Net increase/(decrease) in cash and cash equivalents		37,403	118,484	(63,900)
Cash and cash equivalents at beginning of year		175,933	57,302	120,636
Effect of changes in foreign exchange rate		(607)	147	566
Cash and cash equivalents at end of year	31	<u>212,729</u>	<u>175,933</u>	<u>57,302</u>

Significant non-cash transactions

The Group recorded payables of RMB63,817 million (as of December 31, 2019: RMB64,480 million; as of December 31, 2018: RMB74,816 million) due to equipment suppliers as of December 31, 2020 for additions of construction in progress during the year then ended. In addition, the Group recorded lease liabilities of RMB16,870 million (as of December 31, 2019: RMB13,219 million; as of December 31, 2018: nil) as of December 31, 2020 for additions of right-of-use assets during the year then ended.

Changes in liabilities arising from financing activities

There are no changes in liabilities arising from financing activities other than the placement and repayment of short-term deposits with ultimate holding company (note 29), the payment of Hong Kong 5G spectrum utilization fee and its interest, the initial recognition of lease liabilities at the commencement date, and repayment of the related principal and interest associated with lease liabilities.

The notes on pages F-16 to F-107 are an integral part of these consolidated financial statements.

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 September 3, 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 the mainland of China and in Hong Kong (for the purpose of preparing the consolidated financial statements, the mainland of 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 the British Virgin Islands), and the Company’s ultimate holding company is China Mobile Communications Group Co., Ltd. (“CMCC”, incorporated in the mainland of China). 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 have been listed on The Stock Exchange of Hong Kong Limited (the “HKEX”) since October 23, 1997 and the American Depositary Shares of the Company have been listed on the New York Stock Exchange LLC (the “NYSE”) since October 22, 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. A summary of the significant accounting policies adopted by the Group is set out below. The consolidated financial statements were authorized by the Board of Directors to issue on April 28, 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation

The consolidated financial statements for the year ended December 31, 2020 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 certain financial instruments measured at fair value.

All of the amended standards that effective for the year beginning on January 1, 2020 have been applied for the first time by the Group. The details of adopting these amended standards are disclosed in note 3.

The preparation of financial statements in conformity with IFRSs 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 that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in note 41.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

(i) Subsidiaries

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

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

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

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling shareholders' interests in the results of the Group are presented on the face of the consolidated statements 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) Business combination other than under common control

The Group applies the acquisition method to account for combination of entities and businesses which are not under common control. The consideration transferred for the acquisition of a subsidiary includes the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group and 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.

(iii) Business combination under common control

Under IFRSs, the Group uses merger accounting to account for the combination of entities and businesses under common control in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

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 statements 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

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence, but not control or joint control, over its management. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 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.

The Group accounted for its investment in associates and joint ventures using the equity method.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's net identifiable assets over the cost of the investment after reassessment (if applicable). 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 income from investments accounted for using the equity method in the consolidated statements 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 statements 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 and joint ventures would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 of 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 in 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.

(f) Other intangible assets

Other intangible assets such as operating license and copyrights that are acquired by the Group are stated in the balance sheets 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 depreciation and amortization on a straight-line basis over the shorter of the assets' estimated useful lives or each asset's contractual period, from the date they are available for use. Both the useful lives and method of amortization of other intangible assets are reviewed annually by the Group.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheets 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 related assets and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost 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. During the year, the Group adjusted the depreciable life of the 4G wireless assets from 5 years to 7 years. The effect of such change in accounting estimate is disclosed in note 15.

(h) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases

(i) As lessee

Other than land use right, the Group primarily leases telecommunications towers, buildings and premises and other network equipment. Lease contracts are typically made for fixed periods with no extension options.

Recognition and measurement of lease liabilities

Lease liabilities are initially measured on the present value of unpaid lease payments at the commencement date. Lease payments include the net present value of fixed payments, variable lease payments that are based on an index or a rate, residual value guarantees payments, lease payments to be made under reasonably certain extension options and payments of penalties for terminating the lease.

As the interest rate implicit in the lease of the Group cannot be readily determined, the Group uses incremental borrowing rate as the discounted rate for calculating the present value of lease payments. When determine the incremental borrowing rate, the Group makes adjustments on risk-free interest rate based on lease term and credit risk for leases, as the Group does not have recent third party financing. Lease payments are allocated between principal and finance cost. The Group calculates lease liability interests based on a constant periodic rate, which is charged to profit or loss as finance cost over the lease period.

Recognition and measurement of right-of-use asset

Right-of-use assets of the Group are measured at cost, comprising the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, initial direct costs and restoration costs, etc. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

(i) As lessee (Continued)

Other lease expenses

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments not based on an index or a rate are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Classification of lease related cash flow

Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities of the Group are included in the cash used in operating activities, repayment of principal and interest of lease liabilities of the Group is included in the cash used in financing activities.

(ii) As lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the lease asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheets based on their nature.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

Accounting policies applied until December 31, 2018

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided for at rates, which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the useful life of the asset as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(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.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

(i) Impairment of investments accounted for using the equity method

Investments accounted for using the equity method are reviewed at the end of each reporting period 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
- decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, 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 favorable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets (Continued)

(ii) Impairment of other assets

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

- property, plant and equipment;
- right-of-use assets;
- construction in progress;
- land use rights;
- investments in subsidiaries; and
- other intangible assets with definite life.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use ("VIU"). In assessing VIU, 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets (Continued)

(ii) Impairment of other assets (Continued)

- 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 VIU, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable 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) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

The Group classifies its financial assets, depending on the Group's business model for managing the financial assets and the contractual terms of the related cash flows, under the following measurement categories:

- those to be measured at amortized cost, and
- those to be measured at fair value (either through other comprehensive income, or through profit or loss).

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

- (i) The Group's financial assets measured at amortized cost represent those financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented in other operating expenses.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (Continued)

Measurement (Continued)

- (ii) For equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for these equity investments at FVOCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.
- (iii) Assets that do not meet the criteria for amortized cost or are not elected/classified as FVOCI are classified as FVPL. A gain or loss on a financial instrument that is subsequently measured at FVPL is recognized in profit or loss and presented net within interest and other income in the period in which it arises.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The Group has adopted the simplified expected credit loss model for its accounts receivable and contract assets, which requires expected lifetime losses to be recognized from their initial recognition.

For other debt instruments carried at amortized cost, which have low credit risk at both the beginning and end of the reporting period, the Group adopted the expected credit loss model. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial assets are written off when the Group is satisfied that recovery is remote. When loans or receivables have been written off, the Group continues to attempt to recover the receivables due. When recoveries are made, the recovered amount is recognized in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Accounts receivable and other receivables

Accounts receivable are initially recognized at the amount of consideration that is unconditional and other receivables are initially recognized at fair value. Considering the discounting impact is immaterial, both of them are thereafter stated at cost less related loss allowance for impairment (see note 2(1)).

(n) 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 cash of known amounts and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Accounts payable and other payables

Accounts payable and other payables are initially recognized at fair value. Considering the discounting impact is immaterial, both of them are thereafter stated at cost.

(p) Deferred revenue

Deferred revenue consists primarily of contract liability which is the excess of the cumulative recognized consideration received or receivables from the contracted customer over the cumulative revenue, mainly including prepaid service fees received from customers which are generally not refundable, transaction price deferred for unredeemed point rewards under customer point reward program ("Reward Program"), and unused data traffic carried over.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less directly 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.

(r) Revenue recognition from contracts with customers

The Group mainly provides voice, data and other telecommunications services to its customers through entering into contracts that are either cancellable on monthly basis or for a fixed contract period generally with prepayment term and/or penalty for early termination. The Group also sells telecommunication related products to its customers.

For the telecommunications services (such as voice and data services), telecommunication related products (such as handsets), customer point rewards and/or other promotional goods/services provided by the Group, if the customer can benefit from the goods or services and the Group's promise to transfer the services or products is separately identifiable, the Group identifies them as separate performance obligations. Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled in exchange for transferring promised performance obligations to the customer excluding amounts collected on behalf of third parties. The amount of consideration is generally explicitly stated in the contract and does not include significant financing component. The Group may provide cash subsidies to third party agents in respect of specific telecommunications service contracts obtained via the agents. As the cash subsidies are ultimately enjoyed by end customers via the indirect sales channel, they represent consideration payable to customers and accounted for as a reduction of the transaction price.

When control of a service or product is transferred to a customer, revenue is generally recognized in profit or loss as follows:

- (i) Revenue for each performance obligation is recognized when the Group satisfies the performance obligation by transferring the promised goods or services to the customer. Generally, revenue is recognized when the customer obtains the control of the telecommunications services over the time of provision of the services. Revenue is recognized when a customer obtains the control of the product at a point of time.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition from contracts with customers (Continued)

- (ii) For contracts which include the provision of multiple performance obligations including services, products and/or customer point rewards, the Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. The stand-alone selling price of products and services are mainly based on its observable selling price. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available and maximise the use of observable inputs to estimate the stand-alone selling price. The standalone selling price of each point in the customer point rewards is based on its fair value. Revenue for each performance obligation is then recognized when the control of the promised goods or services is transferred to the customer.
- (iii) The Group usually controls the services and the products it provided before they are transferred to the customer. In certain situations, the Group would consider the primary responsibilities in the arrangement, the establishment of selling price, and the inventory risks, etc. to determine if the Group is acting as a principal or agent. If the Group has assessed and concluded that it does not obtain the control of a specified good before transferring to the customer, the Group is acting as agent in satisfying a performance obligation, and the revenue is recognized in the net amount of any fee or commission to which it expects to be entitled from another party.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition from contracts with customers (Continued)

The Group has both pre-paid and post-paid customers for its goods and services provided. Contract assets primarily relate to the Group's rights to consideration for products or services provided to the customers but for which the Group does not have an unconditional right at the reporting date. In the post-paid contract, contract asset is created, which represents the difference between the amount of products revenue recognized upon sale of products or provision of service and the amount of consideration received/receivable from the customer. The contract asset is reclassified to accounts receivable as services are provided and billed. Contract liabilities arise when the Group receives consideration in advance of providing the goods or services promised in the contract. Contract liabilities are presented in deferred revenue on the consolidated balance sheets. The contract assets and the contract liabilities are classified as current and non-current portions based on their respective recovery or settlement periods. Non-current portion of contract assets are presented in other non-current assets.

Incremental costs incurred to obtain a contract, which mainly comprise sales commissions payable to third party agents, are amortized on a systemic basis that is consistent with the transfer to the customer of the goods or services to which the costs incurred to obtain a customer contract relates over the expected duration of the contract and recorded in selling expense, if it is expected to be recovered. When the expected amortization period is one year or less, the Group utilizes the practical expedient and expenses the costs as incurred. Capitalized incremental costs incurred to obtain a contract is recorded as other non-current assets.

Cost incurred to fulfil a contract represents the cost directly related to the Group's telecommunications service contracts which are not within the scope of another accounting standard. The amount is amortized on a systemic basis that is consistent with the transfer to the customer of the goods or services to which the costs incurred to fulfil a customer contract relates over the expected duration of the contract and recorded as network operation and support expenses, if it is expected to be recovered. Capitalized cost incurred to fulfil a contract is recorded as other non-current assets based on its amortization period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Interest income

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

(t) Income tax

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

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, and it is not probable that they will reverse in the future.

The amount of deferred tax recognized is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on 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)

(u) Provisions and contingent liabilities

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

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

(v) Employee benefits

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

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

The Company and subsidiaries incorporated in Hong Kong are required to make contributions to Mandatory Provident Funds under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Such contributions are recognized as an expense in profit or loss as incurred.

The employees of the subsidiaries in the mainland of 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

(ii) Supplementary retirement benefits

In addition to participating in local governmental defined contribution social insurance, the Group also provides other post retirement supplementary retirement benefits to those retired employees qualified for certain criteria in accordance with a new governmental requirement. Under such plan, the Group provides or reimburses certain medical benefits and etc. to retired employees annually based on certain criteria. The Group's payment obligation in the future under such plan are discounted and recognized as liabilities, the costs of which are recognized in profit or loss. Changes arising from remeasurement of the liability due to changes in the actuarial assumptions are recognized in other comprehensive income when incurred.

(iii) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

(iii) Share-based payments (Continued)

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 recognized in profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained profits). In the Company's balance sheets, 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 consolidated financial statements.

(iv) Termination benefits

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

(w) Research and development expenses

The development expenses of the Group are capitalized when capitalization criteria are fulfilled, and other research and development expenses are recognized in profit or loss as incurred.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies

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

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. Assets and liabilities are translated into RMB at the exchange rates ruling at the balance sheet date. The resulting currency translation 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 currency translation differences relating to that particular foreign operation is reclassified from equity to profit or loss.

For the purpose of the consolidated statements 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 the mainland of China. The Group's assets located and operating revenue derived from activities outside the mainland of 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 following amended and revised standards are mandatory for the first time for the Group's financial year beginning on January 1, 2020 and are applicable for the Group:

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – "Definition of Material"

Amendments to IFRS 3 "Business Combinations" – "Definition of a Business"

Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial

Instruments: Disclosures" – Interest rate benchmark reform

Revised Conceptual Framework for Financial Reporting

The above amendments or revisions to IFRS and IAS effective for the financial year beginning on January 1, 2020 do not have a material impact on the Group.

New standards, annual improvement or interpretation to IFRS and IAS effective for the financial year beginning on January 1, 2019 do not have a material impact on the Group other than IFRS 16 "Leases", details of which are set out in note 3(a).

New standards, annual improvement or interpretation to IFRS and IAS effective for the financial year beginning on January 1, 2018 do not have a material impact on the Group other than IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". The impact resulting from the adoption of IFRS 15 and IFRS 9 on the Group's equity as at January 1, 2018 led to an increase of equity of RMB8,896 million and a decrease of equity of RMB2,365 million, respectively.

In addition, the IASB also published a number of new standards and amendments to standards which are effective for the Group's financial year beginning on or after January 1, 2021 and have not been early adopted by the Group (see note 42). Management is assessing the impact of such standards and will adopt the relevant standards in the subsequent periods as required.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 16 “Leases”

(i) Initial application

The Group applied the IFRS 16 from its mandatory adoption date of January 1, 2019. The Group has applied the simplified transition approach and not restated comparative amounts for the year prior to first adoption, with the cumulative effect of initial adoption recognized as an adjustment to the opening balance sheets.

As of January 1, 2019, right-of-use assets of the Group are measured on transition as if IFRS 16 have had always been applied. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019, which was within the range between 3.5% and 4.0%.

In applying IFRS 16, the Group has used the practical expedients permitted by the standard, including: applying a single discount rate to a portfolio of leases with reasonably similar characteristics; accounting for leases with a remaining lease term of less than 12 months as of January 1, 2019 in the same way as short-term leases; excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group considers that the assets and liabilities arising from the lease are generated in a single transaction, therefore, the Group applies IAS 12 “Income Taxes” requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 16 “Leases” (Continued)

(ii) Summary of effects arising from initial application of IFRS 16

The following table shows the impact from the adoption of IFRS 16 on certain impacted financial statement line items in the Group’s consolidated balance sheets as of December 31, 2018. Line items that were not affected by the changes have not been included.

Consolidated Balance Sheets (Extracted)

	December 31, 2018 (As previously reported) Million	Changes in accounting policy – IFRS 16 Million	January 1, 2019 (As restated) Million
Assets			
Non-current assets			
Right-of-use assets	—	84,289	84,289
Land use rights and others	27,778	(4,665)	23,113
Investments accounted for using the equity method	145,325	(1,216)	144,109
Deferred tax assets	29,654	488	30,142
Current assets			
Prepayments and other current assets	27,002	(1,811)	25,191
Equity and liabilities			
Liabilities			
Current liabilities			
Lease liabilities	—	19,917	19,917
Non-current liabilities			
Lease liabilities – non-current	—	60,290	60,290
Deferred tax liabilities	822	(16)	806
Equity			
Reserves	650,275	(3,106)	647,169

To ensure the consistency of the accounting policies adopted by the Group and its associates and joint ventures, the opening balance of investment accounted for using the equity method, the opening retained profits and PRC statutory reserves of the Group as of January 1, 2019 were reduced by RMB1,216 million, RMB1,202 million and RMB14 million, respectively upon the adoption of IFRS 16, which were included in the table above.

4 OPERATING REVENUE

	2020 Million	2019 Million	2018 Million
Revenue from telecommunications services			
Voice services	78,782	88,624	108,083
Data services			
-SMS & MMS	29,485	28,648	28,800
-Wireless data traffic	385,679	384,999	383,297
-Wireline broadband	80,808	68,835	54,285
-Applications and information services	101,038	82,543	75,701
Others	19,900	20,743	20,741
	<u>695,692</u>	<u>674,392</u>	<u>670,907</u>
Revenue from sales of products and others	<u>72,378</u>	<u>71,525</u>	<u>65,912</u>
	<u>768,070</u>	<u>745,917</u>	<u>736,819</u>

The majority of the Group's operating revenue is from contracts with customers, and the remaining is not material. The revenue recognition policy has been disclosed in note 2(r), while majority of the Group's revenue from contracts with customers was recognized over time.

(a) Assets related to contracts with customers

The Group has recognized the following assets related to contracts with customers:

	Note	As of December 31, 2020 Million	As of December 31, 2019 Million
Contract assets	(i)	5,401	6,567
Less: current portion		<u>(3,841)</u>	<u>(5,003)</u>
Non-current portion recorded in other non-current assets		1,560	1,564
Contract costs recorded in other non-current assets	(ii)	<u>14,487</u>	<u>15,987</u>
Total other non-current assets related to contracts with customers		<u>16,047</u>	<u>17,551</u>

4 OPERATING REVENUE (CONTINUED)

(a) Assets related to contracts with customers (Continued)

Note:

(i) Changes in contract assets:

	Contract assets	
	2020	2019
	Million	Million
Gross carrying amount:		
As of January 1	6,883	6,831
Increase resulting from satisfaction of performance obligation	6,948	6,886
Transfer to accounts receivable	(8,185)	(6,834)
As of December 31	<u>5,646</u>	<u>6,883</u>
Loss allowance:		
As of January 1	(316)	(342)
Changes during the year	71	26
As of December 31	<u>(245)</u>	<u>(316)</u>
Net book value:		
As of December 31	<u>5,401</u>	<u>6,567</u>

As of December 31, 2020, contract assets mainly included contract assets arising from the sales of bundled packages which includes terminals and services amounting to RMB2,607 million (as of December 31, 2019: RMB6,019 million), and contract assets arising from the provision of system integration and engineering services amounting to RMB2,794 million (as of December 31, 2019: RMB548 million).

4 OPERATING REVENUE (CONTINUED)

(a) Assets related to contracts with customers (Continued)

Note (Continued):

(ii) Changes in contract costs

	Contract costs	
	2020	2019
	Million	Million
As of January 1	15,987	6,975
Addition	18,534	24,149
Amortization for the year	(20,034)	(15,137)
As of December 31	<u>14,487</u>	<u>15,987</u>

Contract costs primarily include sales commissions payable to third party agents and contract fulfilment costs for the provision of telecommunications services.

(b) Details of contract liabilities

Contract liabilities are presented in deferred revenue in the consolidated balance sheets. Changes in contract liabilities are as follows:

	Contract liabilities	
	2020	2019
	Million	Million
As of January 1	57,431	62,812
Opening balance recognized in the consolidated statements of comprehensive income for the year	(53,802)	(56,409)
Other net changes for the year	<u>76,050</u>	<u>51,028</u>
As of December 31	<u>79,679</u>	<u>57,431</u>

(c) Unsatisfied long-term contracts

The unsatisfied performance obligation of the Group is mainly related to telecommunications services. The Group generally enters into service contracts with customers monthly or for a fixed term, and bills the customers monthly based on the contract terms for the Group's unconditional right to consideration. For the contracts that have an original expected duration of one year or less and the performance obligations which are regarded as satisfied as billed, the Group has applied the practical expedient permitted under IFRS 15, therefore, the information about the remaining performance obligations were not disclosed.

5 NETWORK OPERATION AND SUPPORT EXPENSES

Details of network operation and support expenses are as follows:

	Note	2020 Million	2019 Million	2018 Million
Maintenance, operation support and related expenses		117,758	92,980	95,656
Power and utilities expenses		37,661	32,837	32,032
Charges for use of tower assets	(i) (iii)	26,836	25,518	38,981
Charges for use of lines and network assets	(ii) (iii)	8,224	7,715	8,489
Charges for use of other assets	(ii) (iii)	6,149	7,492	16,102
Others		9,796	9,268	8,747
		<u>206,424</u>	<u>175,810</u>	<u>200,007</u>

Note:

- (i) Charges for use of tower assets include the non-lease components charges (maintenance, power and related support services) for use of telecommunications towers and variable lease payments not based on an index or a rate, which are recorded in profit or loss as incurred.
- (ii) Charges for use of lines and network assets and other assets mainly include the non-lease components charges and the lease components charges for lease contracts that exempted from recognition of right-of-use assets and lease liabilities, such as short-term lease payments, lease payments of low-value assets and variable lease payments not based on an index or a rate, which are recorded in profit or loss as incurred.
- (iii) For the year ended December 31, 2020, short-term lease payments and lease payments of low-value assets amounted to RMB4,462 million (2019: RMB6,757 million; 2018: nil), and variable lease payments not based on an index or a rate, which are recorded in profit or loss as incurred, amounted to RMB7,770 million (2019: RMB8,186 million; 2018: nil).

6 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2020 Million	2019 Million	2018 Million
Salaries, wages, labor service expenses and other benefits	95,254	86,610	81,843
Retirement costs: contributions to defined contribution retirement plans	10,943	15,908	12,096
Share-based compensation expenses	232	—	—
	<u>106,429</u>	<u>102,518</u>	<u>93,939</u>

In accordance with a new governmental requirement, the Group has substantially completed the transfer of the socialized management of existing retirees to external organizations in 2020. The Group is also obliged to pay for certain of such retirees' post-retirement benefits (mainly including supplementary medical benefits, etc.) in the future with the principle that the level of such benefits would not be decreased. This benefit plan is accounted for as a long-term defined benefits obligation and does not have any plan assets.

The Group's obligation for this benefit plan is calculated using actuarial method and recognized as liability. The service cost amounting to RMB4,615 million was recognized through profit or loss for the year ended December 31, 2020. Actuarial assumptions mainly include discount rate and future mortality. Reasonable changes in actuarial assumptions would not have a significant impact on the consolidated financial statements of the Group.

7 OTHER OPERATING EXPENSES

	Note	2020 Million	2019 Million	2018 Million
Interconnection		19,821	21,037	20,692
Expected credit impairment losses		5,084	5,761	4,635
Write-down of inventories		196	171	155
Loss/(gain) on disposal of property, plant and equipment		1	(64)	8
Write-off and impairment of property, plant and equipment		1,546	2,975	1,250
Research and development expenses	(i)	4,898	2,843	2,490
Auditors' remuneration				
- audit services	(ii)	109	111	108
- tax services		3	2	3
- other services		2	10	6
Others	(iii)	15,379	13,398	11,428
		<u>47,039</u>	<u>46,244</u>	<u>40,775</u>

Note:

- (i) The item does not include depreciation and amortization and employee benefit and related expenses related to research and development.
- (ii) Audit services include reporting on the Group's internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America at a service fee of RMB22 million (2019: RMB22 million; 2018: RMB22 million).
- (iii) Others consist of administrative expenses, taxes and surcharges, and other miscellaneous expenses.

8 OTHER GAINS

	2020	2019	2018
	Million	Million	Million
Compensation income	758	915	1,184
Additional deduction of input value-added tax	2,813	667	—
Others	<u>2,031</u>	<u>2,447</u>	<u>1,722</u>
	<u>5,602</u>	<u>4,029</u>	<u>2,906</u>

9 INTEREST AND OTHER INCOME

	2020	2019	2018
	Million	Million	Million
Interest income	11,447	10,065	11,443
Fair value gains recognized, net	<u>2,894</u>	<u>5,495</u>	<u>4,442</u>
	<u>14,341</u>	<u>15,560</u>	<u>15,885</u>

10 FINANCE COSTS

	2020	2019	2018
	Million	Million	Million
Interest for lease liabilities	2,806	3,052	—
Interest paid for short-term deposits received (note 37(a))	170	187	142
Others	<u>20</u>	<u>7</u>	<u>2</u>
	<u>2,996</u>	<u>3,246</u>	<u>144</u>

11 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S REMUNERATION

Directors' remuneration during 2020 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2020 Total '000
Executive directors (Expressed in RMB)				
YANG Jie ¹	—	830	157	987
DONG Xin ²	—	829	148	977
WANG Yuhang ³	—	757	149	906
LI Ronghua ⁴	—	123	38	161
	—	2,539	492	3,031
Independent non-executive directors (Expressed in Hong Kong dollar)				
CHENG Mo Chi, Moses	460	—	—	460
CHOW Man Yiu, Paul	455	—	—	455
YIU Kin Wah, Stephen	470	—	—	470
YANG Qiang*	—	—	—	—
	1,385	—	—	1,385

Directors' remuneration during 2019 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2019 Total '000
Executive directors (Expressed in RMB)				
YANG Jie ¹	—	461	169	630
SHANG Bing ⁵	—	1,354	89	1,443
LI Yue ⁶	—	1,585	187	1,772
WANG Yuhang ³	—	415	163	578
DONG Xin ²	—	1,469	195	1,664
	—	5,284	803	6,087
Independent non-executive directors (Expressed in Hong Kong dollar)				
CHENG Mo Chi, Moses	460	—	—	460
CHOW Man Yiu, Paul	455	—	—	455
YIU Kin Wah, Stephen	470	—	—	470
YANG Qiang*	—	—	—	—
	1,385	—	—	1,385

11 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

Directors' remuneration during 2018 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2018 Total '000
Executive directors (Expressed in RMB)				
SHANG Bing ⁵	—	867	134	1,001
LI Yue ⁶	—	1,000	163	1,163
SHA Yuejia ⁷	—	745	104	849
DONG Xin ²	—	890	157	1,047
	<u>—</u>	<u>3,502</u>	<u>558</u>	<u>4,060</u>
Independent non-executive directors (Expressed in Hong Kong dollar)				
WONG Kwong Shing, Frank ^{**}	177	—	—	177
CHENG Mo Chi, Moses	460	—	—	460
CHOW Man Yiu, Paul	455	—	—	455
YIU Kin Wah, Stephen	417	—	—	417
YANG Qiang [*]	—	—	—	—
	<u>1,509</u>	<u>—</u>	<u>—</u>	<u>1,509</u>

¹ Mr. YANG Jie was appointed as an executive director and the chairman of the Company with effect from March 21, 2019.

² Mr. Dong Xin was appointed as the chief executive officer of the Company with effect from August 13, 2020 and had ceased to serve as the chief financial officer of the Company.

³ Mr. WANG Yuhang was appointed as an executive director of the Company with effect from October 24, 2019.

⁴ Mr. LI Ronghua was appointed as an executive director and the chief financial officer of the Company with effect from October 15, 2020.

⁵ Mr. SHANG Bing resigned from his position as an executive director and the chairman of the Company with effect from March 4, 2019.

⁶ Mr. LI Yue resigned from his position as an executive director and chief executive officer of the Company with effect from October 11, 2019.

⁷ Mr. SHA Yuejia resigned from his position as executive director of the Company with effect from May 17, 2018.

^{*} Dr. YANG Qiang was appointed as an independent non-executive director and a member of the audit committee of the Company with effect from May 17, 2018 and he voluntarily waived his director's fees.

^{**} Mr. Frank WONG Kwong Shing resigned from the role of independent non-executive director of the Company with effect from May 17, 2018.

11 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

In 2018, 2019 and 2020, executive directors of the Company voluntarily waived their directors' fees.

Directors' remuneration paid during 2020 included directors' performance related bonuses and additional bonuses related to their term of service for previous years determined and paid during the year. The unpaid portion of executive directors' performance related bonuses for 2020 will be paid in 2021 based on their performance, and the additional bonuses related to their term of service will be paid based on their performance upon the completion of three-year evaluation period.

The Company's other senior management's remuneration includes basic remuneration for the year, performance related bonuses for prior year and additional bonuses related to their three-year term of service (if any). For the year ended December 31, 2020, the Company's other senior management's remuneration was within the range between RMB400,000 to RMB900,000 (2019: RMB1,500,000 to RMB2,000,000).

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2018, 2019 and 2020, none of the five individuals with the highest emoluments in the Group are directors or other senior management. The emoluments payable to the five individuals with highest emoluments during 2018, 2019 and 2020 are as follows:

	2020 '000	2019 '000	2018 '000
Salaries, allowances and benefits in kind	7,684	6,592	6,579
Performance related bonuses	4,545	4,314	4,208
Retirement scheme contributions	215	187	156
	<u>12,444</u>	<u>11,093</u>	<u>10,943</u>

The emoluments fell within the following bands:

Emolument bands	2020 Number of individuals	2019 Number of individuals	2018 Number of individuals
2,000,001—2,500,000	4	5	5
2,500,001—3,000,000	<u>1</u>	<u>—</u>	<u>—</u>

13 TAXATION

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

	Note	2020 Million	2019 Million	2018 Million
Current tax				
Provision for the PRC enterprise income tax on the estimated assessable profits for the year	(i)	39,870	36,989	34,395
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(ii)	<u>400</u>	<u>269</u>	<u>275</u>
		40,270	37,258	34,670
Deferred tax				
Origination and reversal of temporary differences, net (note 22)		<u>(6,051)</u>	<u>(1,916)</u>	<u>1,274</u>
		<u>34,219</u>	<u>35,342</u>	<u>35,944</u>

Note:

- (i) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2019: 25%; 2018: 25%) on the estimated assessable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended December 31, 2020. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2019: 15%; 2018: 15%).
- (ii) The provision for Hong Kong profits tax is calculated at 16.5% (2019: 16.5%; 2018: 16.5%) of the estimated assessable profits for the year ended December 31, 2020.
- (iii) Pursuant to the “Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management” issued by SAT in 2009 (“2009 Notice”), the Company is qualified as a PRC offshore-registered resident enterprise. Accordingly, the dividend income of the Company from its subsidiaries in the PRC is exempted from PRC enterprise income tax.

13 TAXATION (CONTINUED)

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

	2020 Million	2019 Million	2018 Million
Profit before taxation	142,359	142,133	153,895
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (Note)	35,590	35,533	38,474
Tax effect of non-taxable items			
– Income from investments accounted for using the equity method	(3,086)	(3,160)	(3,465)
– Interest and other income	(47)	(75)	(131)
Tax effect of non-deductible expenses on operations in the mainland of China	1,041	1,211	604
Tax effect of non-deductible expenses on Hong Kong operations	164	114	85
Rate differential of certain operations in the mainland of China (note 13(a)(i))	(1,009)	(930)	(1,835)
Rate differential of Hong Kong operations (note 13(a)(ii))	(185)	(177)	(189)
Tax effect of deductible temporary difference for which no deferred tax asset was recognized	693	668	1,414
Tax effect of deductible tax loss for which no deferred tax asset was recognized	1,416	2,019	1,267
Others	(358)	139	(280)
Taxation	<u>34,219</u>	<u>35,342</u>	<u>35,944</u>

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

13 TAXATION (CONTINUED)

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

	Before tax Million	2020 Tax credited Million	After tax Million	Before tax Million	2019 Tax charged Million	After tax Million	Before tax Million	2018 Tax charged Million	After tax Million
Changes in value of financial assets at FVOCI	956	1	957	(74)	(1)	(75)	(168)	—	(168)
Currency translation differences	(1,915)	—	(1,915)	683	—	683	1,160	—	1,160
Share of other comprehensive (loss)/income of investments accounted for using the equity method	<u>(617)</u>	<u>—</u>	<u>(617)</u>	<u>442</u>	<u>—</u>	<u>442</u>	<u>1,248</u>	<u>—</u>	<u>1,248</u>
Other comprehensive (loss)/income	<u>(1,576)</u>	<u>1</u>	<u>(1,575)</u>	<u>1,051</u>	<u>(1)</u>	<u>1,050</u>	<u>2,240</u>	<u>—</u>	<u>2,240</u>
Current tax		—			—			—	
Deferred tax		<u>1</u>			<u>(1)</u>			<u>—</u>	
		<u>1</u>			<u>(1)</u>			<u>—</u>	

14 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 RMB107,843 million (2019: RMB106,641 million; 2018: RMB117,781 million) and the weighted average number of 20,475,482,897 shares (2019: 20,475,482,897 shares; 2018: 20,475,482,897 shares) in issue during the year.

(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 which is used in calculating diluted earnings per share, calculated as follows, of RMB107,843 million (2019: RMB106,050 million; 2018: RMB117,781 million) and the weighted average number of 20,475,482,897 shares (2019: 20,475,482,897 shares; 2018: 20,475,482,897 shares) in issue during the year.

	2020 Million	2019 Million	2018 Million
Profit attributable to equity shareholders of the Company used in calculating basic earnings per share	107,843	106,641	117,781
Add: dilution impact on share of profit of investment in an associate due to the associate's convertible bonds (note 23)	—	41	—
Less: fair value gain on the associate's convertible bonds held by the Group, net of tax	—	(632)	—
Profit attributable to equity shareholders of the Company used in calculating diluted earnings per share	<u>107,843</u>	<u>106,050</u>	<u>117,781</u>

14 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

For the year ended December 31, 2020, the Group has considered the impact from the following factors when calculating diluted earnings per share:

- Share options issued by the Company (note 35), and
- The Group's associates that have issued potential ordinary shares for the year ended December 31, 2020.

For the year ended December 31, 2020, as the exercised price of the share options exceeded the average market price of ordinary shares during the period for which the share options were in issue, such share options did not have any dilutive effect on earnings per share, and the associates' potential ordinary shares were anti-dilutive as there was fair value loss on the associate's convertible bonds; therefore diluted earnings per share were the same as basic earnings per share.

15 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 of January 1, 2019	155,451	1,548,851	25,301	1,729,603
Transferred from construction in progress	6,251	159,098	2,165	167,514
Other additions	539	1,235	911	2,685
Disposals	—	(28)	(19)	(47)
Written-off	(822)	(100,962)	(2,450)	(104,234)
Exchange differences	71	161	9	241
As of December 31, 2019	161,490	1,608,355	25,917	1,795,762
As of January 1, 2020	161,490	1,608,355	25,917	1,795,762
Reclassification	(2,092)	12,387	(10,295)	—
Transferred from construction in progress	5,339	164,378	3,032	172,749
Other additions	163	1,935	982	3,080
Disposals	(5)	(63)	(81)	(149)
Written-off	(337)	(45,260)	(1,733)	(47,330)
Exchange differences	(189)	(444)	(20)	(653)
As of December 31, 2020	164,369	1,741,288	17,802	1,923,459
Accumulated depreciation and impairment:				
As of January 1, 2019	52,158	994,803	16,146	1,063,107
Charge for the year	5,983	150,243	1,817	158,043
Written back on disposals	—	(13)	(14)	(27)
Written-off	(33)	(99,027)	(1,192)	(100,252)
Exchange differences	9	49	1	59
As of December 31, 2019	58,117	1,046,055	16,758	1,120,930
As of January 1, 2020	58,117	1,046,055	16,758	1,120,930
Reclassification	(1,333)	6,600	(5,267)	—
Charge for the year	6,073	133,912	2,897	142,882
Written back on disposals	(2)	(27)	(59)	(88)
Written-off	(292)	(43,643)	(1,654)	(45,589)
Exchange differences	(43)	(173)	(7)	(223)
As of December 31, 2020	62,520	1,142,724	12,668	1,217,912
Net book value:				
As of December 31, 2020	101,849	598,564	5,134	705,547
As of December 31, 2019	103,373	562,300	9,159	674,832

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

With the consideration that the Group's 4G and 5G networks are expected to co-exist for a long time and the technologies in relation to its 4G wireless assets (mainly comprising base station main equipment, base station extension equipment and antenna feed lines) are relatively stable and have not experienced any major upgrade since investment was made in such assets, the Group reassessed the actual status of use of its 4G wireless assets and as a result, adjusted the depreciable life of the 4G wireless assets from 5 years to 7 years with effect from January 1, 2020. The aforesaid changes in accounting estimates have been made using the prospective application method. The depreciation and amortization for the year ended December 31, 2020 decreased by approximately RMB19,685 million as a result of the aforesaid changes in accounting estimates.

In order to better reflect the classification of the assets, the Group adjusted the categorization of the property, plant, and equipment during the year ended December 31, 2020, which does not affect the estimated useful life and the depreciation of the relevant assets.

16 CONSTRUCTION IN PROGRESS

	2020 Million	2019 Million
As of January 1	67,978	72,180
Additions	176,422	163,312
Transferred to property, plant and equipment	(172,749)	(167,514)
As of December 31	<u>71,651</u>	<u>67,978</u>

Construction in progress primarily comprises expenditure incurred on the network expansion projects but not yet completed.

17 LEASES

This note provides lease information about the Group as a lessee.

(a) Right-of-use assets

	Telecommunications Towers and related assets Million	Buildings and premises Million	Others Million	Total Million
Cost:				
As of January 1, 2019	75,169	35,790	3,545	114,504
Additions	5,696	9,135	1,139	15,970
Early termination and modification of lease contracts	(1,890)	(1,620)	(567)	(4,077)
Exchange differences	—	22	—	22
As of December 31, 2019	<u>78,975</u>	<u>43,327</u>	<u>4,117</u>	<u>126,419</u>
As of January 1, 2020	78,975	43,327	4,117	126,419
Additions	7,100	10,554	1,302	18,956
Termination of lease contracts	(309)	(3,496)	(341)	(4,146)
Early termination and modification of lease contracts	(1,654)	(2,127)	(105)	(3,886)
Exchange differences	—	(99)	—	(99)
As of December 31, 2020	<u>84,112</u>	<u>48,159</u>	<u>4,973</u>	<u>137,244</u>
Accumulated amortization and impairment:				
As of January 1, 2019	15,299	12,409	2,507	30,215
Charge for the year	14,738	7,675	338	22,751
Early termination and modification of lease contracts	(276)	(435)	(151)	(862)
Exchange differences	—	7	—	7
As of December 31, 2019	<u>29,761</u>	<u>19,656</u>	<u>2,694</u>	<u>52,111</u>
As of January 1, 2020	29,761	19,656	2,694	52,111
Charge for the year	15,883	9,179	950	26,012
Termination of lease contracts	(309)	(3,496)	(341)	(4,146)
Early termination and modification of lease contracts	(933)	(782)	(64)	(1,779)
Exchange differences	—	(45)	—	(45)
As of December 31, 2020	<u>44,402</u>	<u>24,512</u>	<u>3,239</u>	<u>72,153</u>
Net book value:				
As of December 31, 2020	<u>39,710</u>	<u>23,647</u>	<u>1,734</u>	<u>65,091</u>
As of December 31, 2019	<u>49,214</u>	<u>23,671</u>	<u>1,423</u>	<u>74,308</u>

17 LEASES (CONTINUED)

(b) Amounts recognized in the consolidated statements of comprehensive income

For the year ended December 31, 2020, the depreciation charge of right-of-use assets recognized in the consolidated statements of comprehensive income amounted to RMB26,012 million (2019: RMB22,751 million; 2018: nil). Other than the depreciation charge of right-of-use assets, the amounts recognized in the consolidated statements of comprehensive income in relation to interest expense of lease liabilities, and expenses related to short-term leases, low-value leases which are not recorded as short-term leases and variable lease payments are disclosed in note 10 and note 5, respectively.

18 LAND USE RIGHTS

For the year ended December 31, 2020, the amortization of land use rights expensed in the profit or loss amounted to RMB459 million (2019: RMB462 million; 2018: RMB467 million).

19 GOODWILL

	2020 Million	2019 Million
As of January 1	35,343	35,343
Additions	1	—
As of December 31	<u>35,344</u>	<u>35,343</u>

Impairment tests for goodwill

As of December 31, 2020, the goodwill of RMB35,300 million is attributable to the cash-generating units in relation to the operation in the mainland of China which management currently monitors. The recoverable amount of the cash-generating unit is determined based on the VIU calculations by using the discounted cash flow method. This method considers the pre-tax cash flows of the subsidiaries (cash-generating unit) for the five years ending December 31, 2025 and the projected perpetual cash flows after the fifth year. For the five years ending December 31, 2025, the average growth rate is assumed to be 1.5% while for the years beyond December 31, 2025, the assumed continual growth rate to perpetuity is 1%. The present value of cash flows is calculated by discounting the cash flow using pre-tax interest rates of approximately 11%. The management performed impairment test for the goodwill in relation to the operation in the mainland of China and determined such goodwill was not impaired. Reasonably possible changes in key assumptions would not lead to the goodwill impairment loss.

20 SUBSIDIARIES

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

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Communication (BVI) Limited	the British Virgin Islands ("BVI")	HK\$1	100%	—	Investment holding company
China Mobile Communication Co., Ltd. ("CMC")**	the mainland of China	RMB1,641,848,326	—	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. ("Guangdong Mobile")	the mainland of China	RMB5,594,840,700	—	100%	Telecommunications operator
China Mobile Group Zhejiang Co., Ltd.	the mainland of China	RMB2,117,790,000	—	100%	Telecommunications operator
China Mobile Group Jiangsu Co., Ltd.	the mainland of China	RMB2,800,000,000	—	100%	Telecommunications operator
China Mobile Group Fujian Co., Ltd.	the mainland of China	RMB5,247,480,000	—	100%	Telecommunications operator
China Mobile Group Henan Co., Ltd.	the mainland of China	RMB4,367,733,641	—	100%	Telecommunications operator
China Mobile Group Hainan Co., Ltd.	the mainland of China	RMB643,000,000	—	100%	Telecommunications operator
China Mobile Group Beijing Co., Ltd.	the mainland of China	RMB6,124,696,053	—	100%	Telecommunications operator
China Mobile Group Shanghai Co., Ltd.	the mainland of China	RMB6,038,667,706	—	100%	Telecommunications operator
China Mobile Group Tianjin Co., Ltd.	the mainland of China	RMB2,151,035,483	—	100%	Telecommunications operator
China Mobile Group Hebei Co., Ltd.	the mainland of China	RMB4,314,668,531	—	100%	Telecommunications operator
China Mobile Group Liaoning Co., Ltd.	the mainland of China	RMB5,140,126,680	—	100%	Telecommunications operator
China Mobile Group Shandong Co., Ltd.	the mainland of China	RMB6,341,851,146	—	100%	Telecommunications operator
China Mobile Group Guangxi Co., Ltd.	the mainland of China	RMB2,340,750,100	—	100%	Telecommunications operator
China Mobile Group Anhui Co., Ltd.	the mainland of China	RMB4,099,495,494	—	100%	Telecommunications operator
China Mobile Group Jiangxi Co., Ltd.	the mainland of China	RMB2,932,824,234	—	100%	Telecommunications operator
China Mobile Group Chongqing Co., Ltd.	the mainland of China	RMB3,029,645,401	—	100%	Telecommunications operator

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Group Sichuan Co., Ltd.	the mainland of China	RMB7,483,625,572	—	100%	Telecommunications operator
China Mobile Group Hubei Co., Ltd.	the mainland of China	RMB3,961,279,556	—	100%	Telecommunications operator
China Mobile Group Hunan Co., Ltd.	the mainland of China	RMB4,015,668,593	—	100%	Telecommunications operator
China Mobile Group Shaanxi Co., Ltd.	the mainland of China	RMB3,171,267,431	—	100%	Telecommunications operator
China Mobile Group Shanxi Co., Ltd.	the mainland of China	RMB2,773,448,313	—	100%	Telecommunications operator
China Mobile Group Neimenggu Co., Ltd.	the mainland of China	RMB2,862,621,870	—	100%	Telecommunications operator
China Mobile Group Jilin Co., Ltd.	the mainland of China	RMB3,277,579,314	—	100%	Telecommunications operator
China Mobile Group Heilongjiang Co., Ltd.	the mainland of China	RMB4,500,508,035	—	100%	Telecommunications operator
China Mobile Group Guizhou Co., Ltd.	the mainland of China	RMB2,541,981,749	—	100%	Telecommunications operator
China Mobile Group Yunnan Co., Ltd.	the mainland of China	RMB4,137,130,733	—	100%	Telecommunications operator
China Mobile Group Xizang Co., Ltd.	the mainland of China	RMB848,643,686	—	100%	Telecommunications operator
China Mobile Group Gansu Co., Ltd.	the mainland of China	RMB1,702,599,589	—	100%	Telecommunications operator
China Mobile Group Qinghai Co., Ltd.	the mainland of China	RMB902,564,911	—	100%	Telecommunications operator
China Mobile Group Ningxia Co., Ltd.	the mainland of China	RMB740,447,232	—	100%	Telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	the mainland of China	RMB2,581,599,639	—	100%	Telecommunications operator
China Mobile Group Design Institute Co., Ltd.	the mainland of China	RMB160,232,547	—	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited**	the mainland of China	US\$30,000,000	100%	—	Investment holding company
China Mobile Information Technology Co., Ltd.**	the mainland of China	US\$7,633,000	—	100%	Provision of roaming clearance, IT system operation, technology support services
Aspire Holdings Limited	Cayman Islands	HK\$93,964,583	66.41%	—	Investment holding company

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
Aspire (BVI) Limited#	BVI	US\$1,000	—	100%	Investment holding company
Aspire Technologies (Shenzhen) Limited**#	the mainland of China	US\$10,000,000	—	100%	Development, services and maintenance of industry value-added platform
Aspire Information Network (Shenzhen) Limited**#	the mainland of China	US\$5,000,000	—	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited**#	the mainland of China	US\$5,000,000	—	100%	Operation support and capability service of digital content
Fujian FUNO Mobile Communication Technology Company Limited***	the mainland of China	RMB60,000,000	—	51%	Network construction and maintenance, network planning and optimizing, training and communication services
Advanced Roaming & Clearing House Limited	BVI	US\$2	100%	—	Provision of roaming clearance services
Fit Best Limited	BVI	US\$1	100%	—	Investment holding company
China Mobile Hong Kong Company Limited	Hong Kong	HK\$951,046,930	—	100%	Provision of telecommunications and related services
China Mobile International Holdings Limited	Hong Kong	HK\$19,319,810,000	100%	—	Investment holding company
China Mobile International Limited	Hong Kong	HK\$8,100,000,000	—	100%	Provision of voice and roaming clearance services, internet services and value-added services
China Mobile Group Device Co., Ltd.	the mainland of China	RMB6,200,000,000	—	99.97%	Provision of electronic communication products design services and sale of related products
China Mobile Group Finance Co., Ltd. (“China Mobile Finance”)	the mainland of China	RMB11,627,783,669	—	92%	Provision of non-banking financial services
China Mobile IoT Company Limited	the mainland of China	RMB3,000,000,000	—	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	the mainland of China	RMB3,172,000,000	—	100%	Provision of Mobile Cloud research and development and operation support services
China Mobile E-Commerce Co., Ltd. (“China Mobile E-Commerce”)	the mainland of China	RMB500,000,000	—	100%	Provision of e-payment, e-commerce and internet finance services

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile (Hangzhou) Information Technology Co., Ltd.	the mainland of China	RMB1,350,000,000	—	100%	Provision of family information products, technology research and development services
China Mobile Online Services Co., Ltd.	the mainland of China	RMB2,000,000,000	—	100%	Provision of call center and internet information services
MIGU Company Limited	the mainland of China	RMB7,000,000,000	—	100%	Provision of mobile internet digital content services
China Mobile TieTong Company Limited	the mainland of China	RMB31,880,000,000	—	100%	Provision of engineering, maintenance, sales and telecommunications services
China Mobile Internet Company Limited	the mainland of China	RMB3,000,000,000	—	100%	Provision of internet related services
China Mobile Investment Holdings Company Limited	the mainland of China	RMB1,175,920,000	—	100%	Investment holding company
China Mobile System Integration Co., Ltd.	the mainland of China	RMB1,300,000,000	—	100%	Provision of computer system integration, construction, maintenance and related technology development services
China Mobile (Chengdu) ICT Co., Ltd.	the mainland of China	RMB1,000,000,000	—	100%	Provision of information technology products and technology research and development services
China Mobile (Shanghai) ICT Co., Ltd.	the mainland of China	RMB800,000,000	—	100%	Provision of information technology products and technology research and development services
China Mobile Financial Technology Co., Ltd.	the mainland of China	RMB555,410,800	—	100%	Provision of e-payment, e-commerce and internet finance services
China Mobile Xiong'an ICT Co., Ltd.	the mainland of China	RMB150,000,000	—	100%	Provision of information technology products and technology research and development services
Zhongyidong Information Technology Co., Ltd.	the mainland of China	RMB1,000,000,000	—	100%	Provision of IT solution including digital technology

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

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

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

Effective interest held by the Group is 66.41%.

No subsidiaries which have non-controlling interests are material to the Group.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As of December 31, 2020 Million	As of December 31, 2019 Million
Associates	160,732	154,004
Joint ventures	1,079	1,224
	<u>161,811</u>	<u>155,228</u>

Details of principal associates, all of which are listed on exchanges, 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
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	PRC	18%	Provision of banking services
China Tower Corporation Limited ("China Tower")	PRC	28%	Provision of construction, maintenance and operation of telecommunications towers
IFLYTEK Co., Ltd. ("IFLYTEK")	PRC	12%	Provision of intelligent voice and artificial intelligence products and services
True Corporation Public Company Limited ("True Corporation")	Thailand	18%	Provision of telecommunications services

Note: The consistency of the accounting policies between the Group and its associates has been considered when the Group recognized its interests in these associates.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Summarised financial information on principal associates:

	SPD Bank	
	As of December 31	
	2020 Million	2019 Million
Total assets	7,950,218	7,005,929
Total liabilities	7,304,401	6,444,878
Total equity	<u>645,817</u>	<u>561,051</u>
Total equity attributable to ordinary equity shareholders	528,288	493,945
Percentage of ownership of the Group	18%	18%
Total equity attributable to the Group	96,018	89,774
The impact of fair value adjustments at the time of acquisition, goodwill and others	<u>6,084</u>	<u>6,084</u>
Interest in associates	<u>102,102</u>	<u>95,858</u>

	China Tower		IFLYTEK		True Corporation	
	As of December 31		As of December 31		As of December 31	
	2020 Million	2019 Million	2020 Million	2019 Million	2020 Million	2019 Million
Total current assets	43,204	40,995	14,978	11,430	22,748	31,298
Total non-current assets	294,176	297,072	9,858	8,671	111,806	90,680
Total current liabilities	106,635	128,364	10,392	6,866	38,301	35,186
Total non-current liabilities	44,499	27,142	1,472	1,500	77,598	57,457
Total equity	<u>186,246</u>	<u>182,561</u>	<u>12,972</u>	<u>11,735</u>	<u>18,655</u>	<u>29,335</u>
Total equity attributable to equity shareholders	186,245	182,559	12,668	11,418	18,540	29,184
Percentage of ownership of the Group	28%	28%	12%	13%	18%	18%
Total equity attributable to the Group	52,018	51,281	1,514	1,465	3,337	5,253
The impact of fair value adjustments at the time of acquisition, goodwill and others	—	—	776	810	1,855	1,834
Elimination of unrealized profits resulting from the transfer of Tower Assets	<u>(2,228)</u>	<u>(2,543)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest in associates	<u>49,790</u>	<u>48,738</u>	<u>2,290</u>	<u>2,275</u>	<u>5,192</u>	<u>7,087</u>

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Summarised financial information on principal associates (Continued):

	SPD Bank			China Tower		
	2020 Million	2019 Million	2018 Million	2020 Million	2019 Million	2018 Million
Revenue	196,384	190,688	170,865	81,099	76,428	71,819
Profit before taxation	66,682	69,817	65,284	8,407	6,837	3,475
Profit attributable to ordinary equity shareholders	55,244	57,186	54,189	6,428	5,222	2,650
Other comprehensive (loss)/income attributable to ordinary equity shareholders	(3,291)	2,608	6,979	—	—	—
Total comprehensive income attributable to ordinary equity shareholders	51,953	59,794	61,168	6,428	5,222	2,650
Dividends received from associates	3,201	1,867	533	715	111	—

	IFLYTEK			True Corporation		
	2020 Million	2019 Million	2018 Million	2020 Million	2019 Million	2018 Million
Revenue	13,025	10,079	7,917	30,485	31,423	33,214
Profit before taxation	1,457	995	659	208	1,727	2,662
Profit attributable to ordinary equity shareholders	1,364	819	542	231	1,256	1,444
Other comprehensive income/(loss) attributable to ordinary equity shareholders	—	—	1	(9)	(186)	(46)
Total comprehensive income attributable to ordinary equity shareholders	1,364	819	543	222	1,070	1,398
Dividends received from associates	27	27	18	114	117	39

(ii) The fair values of the interests in listed associates are based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs and disclosed as follows:

	As of December 31, 2020		As of December 31, 2019	
	Carrying amount Million	Fair value Million	Carrying amount Million	Fair value Million
SPD Bank	102,102	51,642	95,858	65,993
China Tower	49,790	47,159	48,738	75,729
IFLYTEK	2,290	10,543	2,275	9,268
True Corporation	5,192	4,502	7,087	6,432

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

As of December 31, 2020, the fair value of investment in SPD Bank was RMB51,642 million (as of December 31, 2019: RMB65,993 million) based on its quoted market price, which was below its carrying amount by approximately 49.4% (as of December 31, 2019: approximately 31.2%). Management of the Group performed an impairment test and determined the recoverable amount of the investment based on its VIU. The calculation has considered pre-tax cash flow projections of SPD Bank for the five years ending December 31, 2025 with an extrapolation made to perpetuity. The discount rate used to discount the cash flows to their respective net present values was based on cost of capital used to evaluate investments of similar nature in the mainland of China. Management judgement is required in estimating the future cash flows of SPD Bank. The key assumptions are determined with reference to external sources of information. Based on the management's assessment results and sensitivity analysis performed, there was no impairment of the investment as of December 31, 2020.

As of December 31, 2020, the fair value of investment in True Corporation was RMB4,502 million (as of December 31, 2019: RMB6,432 million) based on its quoted market price, which was below its carrying amount by approximately 13.3% (as of December 31, 2019: approximately 9.2%). Management of the Group performed an impairment test and determined the recoverable amount of the investment based on its VIU. Based on the management's assessment results, there was no impairment of the investment as of December 31, 2020.

As of December 31, 2020, the fair value of investment in China Tower was RMB47,159 million (as of December 31, 2019: RMB75,729 million) based on its quoted market price, which was below its carrying amount by approximately 5.3% (as of December 31, 2019: above its carrying amount by approximately 55.4%). After assessment, management concluded that the impairment was not required for the equity investment in China Tower.

Other than above, the management has determined that there was no impairment indicator of the Group's interests in other associates or joint ventures as of December 31, 2020 and 2019.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Details of a major joint venture are as follows:

In 2015, CMC, a wholly-owned subsidiary of the Company, together with State Development & Investment Corporation and China Mobile State Development & Investment Management Company Limited (45% of its registered capital is owned by CMCC), established China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the “Fund”). The Group recognized the investment as interest in a joint venture. CMC committed to invest RMB1,500 million, which represents 50% of the equity interest of the Fund. As of December 31, 2020, CMC had contributed RMB1,256 million (as of December 31, 2019: RMB1,256 million) to the Fund with an outstanding commitment to further invest RMB244 million (as of December 31, 2019: RMB244 million) to the Fund upon request to be lodged by the Fund. There were no contingent liabilities relating to the Group’s interest in this joint venture as of December 31, 2020 and 2019.

22 DEFERRED TAX ASSETS AND LIABILITIES

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

	As of December 31, 2020 Million	As of December 31, 2019 Million
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months, net	3,647	3,519
- Deferred tax assets to be recovered within 12 months, net	<u>35,351</u>	<u>29,109</u>
	<u>38,998</u>	<u>32,628</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after 12 months, net	(1,420)	(857)
- Deferred tax liabilities to be settled within 12 months, net	<u>(248)</u>	<u>(531)</u>
	<u>(1,668)</u>	<u>(1,388)</u>

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2020

	As of January 1, 2020 Million	Credited/ (charged) to profit or loss Million	Credited to other comprehensive income Million	Exchange differences Million	As of December 31, 2020 Million
Net deferred tax assets after offsetting:					
Write-down of obsolete inventories	13	30	—	—	43
Depreciation, write-off and impairment of property, plant and equipment	6,122	(181)	—	—	5,941
Accrued expenses and others	18,718	3,360	—	(1)	22,077
Deferred revenue from Reward Program	5,485	2,612	—	—	8,097
Expected credit impairment losses	1,637	498	—	—	2,135
Recognition of right-of-use assets and lease liabilities	769	(33)	—	—	736
Change in value of financial assets at FVOCI	(7)	—	1	—	(6)
Contract asset, contract liability and contract cost relating to customer contract	(109)	84	—	—	(25)
	<u>32,628</u>	<u>6,370</u>	<u>1</u>	<u>(1)</u>	<u>38,998</u>
Net deferred tax liabilities after offsetting:					
Depreciation, write-off and impairment of property, plant and equipment	(2,282)	(677)	—	39	(2,920)
Recognition of right-of-use assets and lease liabilities	61	(51)	—	—	10
Deferred revenue from Reward Program	266	31	—	—	297
Accrued expenses and others	567	378	—	—	945
	<u>(1,388)</u>	<u>(319)</u>	<u>—</u>	<u>39</u>	<u>(1,668)</u>
Total	<u>31,240</u>	<u>6,051</u>	<u>1</u>	<u>38</u>	<u>37,330</u>

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2019

	As of January 1, 2019 Million	(Charged)/ credited to profit or loss Million	Charged to other comprehensive income Million	Exchange differences Million	As of December 31, 2019 Million
Net deferred tax assets after offsetting:					
Write-down of obsolete inventories	75	(62)	—	—	13
Depreciation, write-off and impairment of property, plant and equipment	5,289	833	—	—	6,122
Accrued expenses and others	17,715	1,003	—	—	18,718
Deferred revenue from Reward Program	5,784	(299)	—	—	5,485
Expected credit impairment losses	1,458	179	—	—	1,637
Recognition of right-of-use assets and lease liabilities	488	281	—	—	769
Change in value of financial assets at FVOCI	(6)	—	(1)	—	(7)
Contract asset, contract liability and contract cost relating to customer contract	(661)	552	—	—	(109)
	<u>30,142</u>	<u>2,487</u>	<u>(1)</u>	<u>—</u>	<u>32,628</u>
Net deferred tax liabilities after offsetting:					
Depreciation, write-off and impairment of property, plant and equipment	(1,117)	(1,152)	—	(13)	(2,282)
Recognition of right-of-use assets and lease liabilities	16	45	—	—	61
Deferred revenue from Reward Program	157	109	—	—	266
Accrued expenses and others	138	427	—	2	567
	<u>(806)</u>	<u>(571)</u>	<u>—</u>	<u>(11)</u>	<u>(1,388)</u>
Total	<u>29,336</u>	<u>1,916</u>	<u>(1)</u>	<u>(11)</u>	<u>31,240</u>

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As of December 31, 2020, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB2,585 million (as of December 31, 2019: RMB2,611 million).

Deferred tax assets are recognized for deductible temporary differences and tax losses carry-forwards only to the extent that the realization of the related tax benefit through future taxable profits is probable. Certain subsidiaries of the Group did not recognize deferred tax assets of RMB11,284 million (2019: RMB8,677 million) in respect of deductible temporary differences and tax losses amounting to RMB58,154 million (2019: RMB42,469 million) that can be carried forward against future taxable income as of December 31, 2020. The deductible tax losses are allowed to be carried forward within next five years against future taxable profits, while those of high-tech enterprises are allowed to be within next ten years, and entities operating in Hong Kong can carry forward tax losses for unlimited period.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

	Financial assets at fair value through other comprehensive income ("FVOCI") ⁽ⁱ⁾ Million	Financial assets at fair value through profit or loss ("FVPL") ⁽ⁱⁱ⁾ Million
As of December 31, 2019		
- Current portion	—	114,259
- Non-current portion	513	—
	<u>513</u>	<u>114,259</u>
Additions	205	114,929
Maturity or disposal	(500)	(103,479)
Net fair value gains recognized in profit or loss, before tax	—	2,894
Net fair value gains recognized in other comprehensive income, before tax	956	—
Exchange differences	(63)	—
As of December 31, 2020	<u>1,111</u>	<u>128,603</u>
Less: current portion	—	(128,603)
Non-current portion	<u>1,111</u>	<u>—</u>

Note:

- (i) The category of FVOCI is primarily the equity investments in listed companies that are not held for trading. The equity investments represent the Group's investments in other companies at fair value (mainly level 1: quoted price (unadjusted) in active markets) through other comprehensive income as of December 31, 2020 and 2019.
- (ii) The category of FVPL mainly comprises wealth management products ("WMPs") offered by various financial institutions in China amounting to RMB117,289 million (as of December 31, 2019: RMB103,328 million) and the Group's investment in the convertible bonds issued by SPD Bank ("CB") amounting to RMB9,259 million (as of December 31, 2019: RMB9,928 million). All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. As of December 31, 2020 and 2019, they were measured at fair value (level 3: inputs for the assets or liabilities that are not based on observable market data (that is unobservable inputs)). The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity. For the year ended December 31, 2020 and 2019, the Group did not convert the CB into SPD Bank's common stock. As of December 31, 2020 and 2019, the CB were measured at the fair value as level 1 of fair value hierarchy.

There were no transfers between the levels of fair value hierarchy for the year ended December 31, 2020 and 2019.

24 RESTRICTED BANK DEPOSITS

	As of December 31, 2020			As of December 31, 2019		
	Non-current assets Million	Current assets Million	Total Million	Non-current assets Million	Current assets Million	Total Million
Restricted bank deposits						
- Statutory deposit reserves (Note)	8,728	—	8,728	8,586	—	8,586
- Deposited customer reserves (Note)	—	2,332	2,332	1,435	—	1,435
- Pledged bank deposits	108	498	606	42	371	413
	<u>8,836</u>	<u>2,830</u>	<u>11,666</u>	<u>10,063</u>	<u>371</u>	<u>10,434</u>

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

25 OTHER NON-CURRENT ASSETS

As of December 31, 2020, other than contract assets and contract costs, other non-current assets also comprise long-term prepaid expenses amounting to RMB4,445 million (as of December 31, 2019: RMB4,662 million), and certificates of deposit amounting to RMB15,000 million (as of December 31, 2019: RMB5,130 million).

26 INVENTORIES

	As of December 31, 2020 Million	As of December 31, 2019 Million
	Handsets and other terminals	6,262
Other consumables	<u>1,782</u>	<u>2,133</u>
	<u>8,044</u>	<u>7,338</u>

27 ACCOUNTS RECEIVABLE

(a) Aging analysis

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

	As of December 31, 2020 Million	As of December 31, 2019 Million
Within 30 days	14,917	14,353
31 - 60 days	4,132	3,789
61 - 90 days	3,255	3,035
91 days - 1 year	13,076	9,575
Over 1 year	3,021	1,942
	<u>38,401</u>	<u>32,694</u>

Accounts receivable primarily comprise receivables from customers and telecommunications operators. Customers with balances that are overdue or have exceeded credit limits are required to settle all outstanding balances before any further telecommunications services can be provided. The increase of accounts receivable is mainly due to the increase in revenue from corporate markets. Customers from corporate markets normally enjoy longer credit term and have better creditability.

(b) Expected credit impairment loss allowance of accounts receivable

The following table summarizes the changes in expected credit impairment loss allowance of accounts receivable:

	2020 Million	2019 Million
As of January 1	9,557	7,269
Additions	5,105	5,833
Written-off	<u>(3,072)</u>	<u>(3,545)</u>
As of December 31	<u>11,590</u>	<u>9,557</u>

28 OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

Other receivables, which are measured at amortized cost, are expected to be recovered within one year. They primarily include utilities deposits, rental deposits, short-term loans and short-term debt investments. Among which, short-term loans granted to China Tower through China Mobile Finance were RMB2,500 million (as of December 31, 2019: RMB7,450 million), and other short-term loans granted to banks, other financial institutions and other third parties as well as short-term debt investments purchased through China Mobile Finance were RMB34,335 million (as of December 31, 2019: RMB11,464 million). The interest rates of short-term loans are mutually agreed among the parties with reference to the market interest rates.

Prepayments and other current assets primarily consist of prepayments amounting to RMB8,385 million (as of December 31, 2019: RMB7,527 million), including maintenance prepayments, power and utilities prepayments etc., and prepaid value-added tax and input value-added tax to be deducted and certified amounting to RMB17,173 million (as of December 31, 2019: RMB18,551 million), etc.

As of December 31, 2020 and 2019, there were no significant overdue amounts for other receivables.

29 AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY

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

As of December 31, 2020, amount due to ultimate holding company comprises the short-term deposits of CMCC and its subsidiaries excluding the Group (“CMCC Group”) in China Mobile Finance amounting to RMB26,706 million (as of December 31, 2019: RMB21,637 million) and the corresponding interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

30 BANK DEPOSITS

Bank deposits represent term deposits with banks with original maturity exceeding three months. The applicable interest rate is determined in accordance with the benchmark interest rate published by PBOC or with reference to the market interest rate. As of December 31, 2020, interest receivable amounting to RMB4,461 million was included in this item.

31 CASH AND CASH EQUIVALENTS

	As of December 31, 2020 Million	As of December 31, 2019 Million
Bank deposits with original maturity within three months	8,346	8,959
Cash at banks and on hand	204,383	166,974
	<u>212,729</u>	<u>175,933</u>

32 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

	As of December 31, 2020 Million	As of December 31, 2019 Million
Payable in the periods below:		
Within 1 month or on demand	142,653	139,856
After 1 month but within 3 months	6,143	6,270
After 3 months but within 6 months	3,422	4,839
After 6 months but within 9 months	5,408	4,569
After 9 months but within 12 months	10,364	9,284
	<u>167,990</u>	<u>164,818</u>

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

33 DEFERRED REVENUE

As of December 31, 2020, deferred revenue primarily includes the non-refundable prepaid service fees received from customers amounting to RMB24,654 million (as of December 31, 2019: RMB22,316 million), transaction price allocated to the unredeemed point rewards amounting to RMB40,005 million (as of December 31, 2019: RMB25,754 million), and transaction price allocated to unused data traffic carried over amounting to RMB11,156 million (as of December 31, 2019: RMB7,853 million), etc.

	2020 Million	2019 Million
As of January 1		
- Current portion	57,825	63,185
- Non-current portion	<u>6,861</u>	<u>4,881</u>
	64,686	68,066
Additions during the year	260,950	256,432
Recognized in the consolidated statements of comprehensive income	<u>(238,007)</u>	<u>(259,812)</u>
As of December 31	87,629	64,686
Less: current portion	<u>(79,028)</u>	<u>(57,825)</u>
Non-current portion	<u>8,601</u>	<u>6,861</u>

34 ACCRUED EXPENSES AND OTHER PAYABLES

	As of December 31, 2020 Million	As of December 31, 2019 Million
Receipts-in-advance	73,345	69,421
Accrued salaries, wages and other benefits	6,100	7,213
Accrued expenses	93,725	76,772
Other payables	27,782	28,962
	<u>200,952</u>	<u>182,368</u>

35 SHARE-BASED PAYMENT

At the Company's Annual General Meeting ("AGM") held on May 20, 2020, the shareholders of the Company approved the adoption of the Share Option Scheme (the "Scheme"), for the grant of share options ("Share Options") to qualified participants.

Under the Scheme, participants are backbone management, technical and business personnel who have a direct impact on the Company's operating performance and sustainable development. No Share Options had been granted to the directors, chief executive or substantial shareholder of the Company or any of their related parties.

The maximum number of shares to be issued upon the exercise of the Share Options granted under the Scheme shall not in aggregate exceed 10% of the total share capital of the Company as at the date of approval of the Scheme at a general meeting of shareholders.

On June 12, 2020 (the "Grant Date"), the Board of Directors of the Company approved the grant of Share Options representing an aggregate of 305,601,702 shares to 9,914 participants of the Scheme pursuant to the aforementioned authorization, which represented 1.5% of the Company's issued share capital, at the exercise price of HK\$55.00 per share. The exercise price of options shall be determined in accordance with the fair market price principle, with the base day for pricing being the Grant Date. The exercise price shall not be lower than the higher of the following prices: (i) the closing price of the Shares on the Grant Date; and (ii) the average closing price of the Shares on the HKEX for the five trading days prior to the Grant Date. Subject to the satisfaction of the conditions for vesting as provided under the Scheme, the Share Options granted shall be vested in three batches as follows: (i) the first batch (being 40% of the Share Options granted) will be vested on the first trading day after 24 months from the Grant Date; (ii) the second batch (being 30% of the Share Options granted) will be vested on the first trading day after 36 months from the Grant Date; and (iii) the third batch (being 30% of the Share Options granted) will be vested on the first trading day after 48 months from the Grant Date. Vesting period ends ten years from the Grant Date.

35 SHARE-BASED PAYMENT (CONTINUED)

(a) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Share option scheme	
	Average exercise price	Numbers of options
As of January 1, 2020	—	—
Granted	HK\$55.00	305,601,702
Forfeited	HK\$55.00	(899,000)
Exercised	—	—
Expired	—	—
As of December 31, 2020	HK\$55.00	<u>304,702,702</u>
Vested and exercisable as of December 31, 2020	—	<u>—</u>

For the year ended December 31, 2020, as the condition for vesting of the Share Options had not been satisfied, no Share Options had been vested, and no ordinary shares had been issued by the Company as none of Share Options was exercisable.

(b) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as of December 31, 2020 are as follows:

Grant date	Normal exercise period	Exercise price	No. of shares involved in the options outstanding as of December 31, 2020
June 12, 2020	June 12, 2022- June 12, 2030	HK\$55.00	121,881,080
June 12, 2020	June 12, 2023- June 12, 2030	HK\$55.00	91,410,811
June 12, 2020	June 12, 2024- June 12, 2030	HK\$55.00	91,410,811

The options outstanding as of December 31, 2020 had a weighted average remaining contractual life of 9.5 years.

35 SHARE-BASED PAYMENT (CONTINUED)

(c) Fair value of share options

The Company has used the Binomial Model to determine the fair value of the Share Options as of the Grant Date, which is to be recorded in profit or loss over the vesting period.

The weighted average fair value of the Share Options granted by the Company was HK\$4.00 per share. Other than the exercise price mentioned above, the model inputs to determine the fair value of Share Options granted during the year ended December 31, 2020 included:

	Granted on June 12, 2020
The closing price at the Grant Date	HK\$54.25
Risk-free interest rate	0.65%
Expected dividend yield	5.9%
Expected volatility (Note)	21.34%

Note:

The expected volatility is determined based on the historical average daily trading price volatility of the shares of the Company.

36 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Ordinary shares, issued and fully paid:

	Number of shares	HK\$ Million	Equivalent RMB Million
As of January 1 and December 31, 2020 and 2019	<u>20,475,482,897</u>	<u>382,263</u>	<u>402,130</u>

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.

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends attributable to the year:

	2020 Million	2019 Million	2018 Million
Ordinary interim dividend declared and paid of HK\$1.530 (equivalent to approximately RMB1.398) (2019: HK\$1.527 (equivalent to approximately RMB1.343); 2018: HK\$1.826 (equivalent to approximately RMB1.540)) per share	27,557	28,206	32,870
Ordinary final dividend proposed after the balance sheet date of HK\$1.760 (equivalent to approximately RMB1.481) (2019: HK\$1.723 (equivalent to approximately RMB1.543); 2018: HK\$1.391 (equivalent to approximately RMB1.219)) per share	<u>30,330</u>	<u>31,602</u>	<u>24,955</u>
	<u>57,887</u>	<u>59,808</u>	<u>57,825</u>

The proposed ordinary final dividend, which is declared in Hong Kong dollar is translated into RMB with reference to the rate HK\$1 = RMB0.84164, being the rate announced by the State Administration of Foreign Exchange in the PRC on December 31, 2020. As the ordinary final dividend was declared after the balance sheet date, such dividend is not recognized as liability as of December 31, 2020.

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.

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends (Continued)

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

	2020 Million	2019 Million	2018 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.723 (equivalent to approximately RMB1.543) (2019: HK\$1.391 (equivalent to approximately RMB1.219); 2018: HK\$1.582 (equivalent to approximately RMB1.322)) per share	<u>32,169</u>	<u>25,059</u>	<u>27,060</u>

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of different reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

- RMB295,665 million debit balance brought forward as a result of the elimination of goodwill arising on the acquisition of subsidiaries before January 1, 2001 against the capital reserve;
- Share of other comprehensive income/(loss) of investments accounted for using the equity method;
- The changes in fair value of financial assets at FVOCI, net of tax, until the financial assets are derecognized; and
- The difference between the consideration and the carrying amounts of net assets of acquired business under business combinations under common control.

(ii) PRC statutory reserves

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

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

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

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

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of different reserves (Continued)

(iii) Exchange reserve

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

(d) 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 sheets and total borrowings).

As of December 31, 2020 and 2019, the Group's total debt-to-book capitalization ratio was nil.

Except for China Mobile Finance that is subject to certain capital requirements imposed by China Banking and Insurance Regulatory Commission, the Company and its other subsidiaries are not subject to externally imposed capital requirements.

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 Group for the years ended December 31, 2018, 2019 and 2020.

	Note	2020 Million	2019 Million	2018 Million
Revenue from telecommunications services	(i)	979	495	71
Property leasing and management services revenue	(ii)	280	197	226
Telecommunications services charges	(i)	188	103	—
Property leasing and management services charges	(ii)	1,365	1,129	1,009
Charges for use of network assets	(iii)	1,891	1,448	2,308
Charges of use of network capacity	(iii)	4	30	402
Interest expenses	(iv)	170	187	142
Short-term bank deposits received	(iv)	26,706	21,637	10,873
Short-term bank deposits repaid	(iv)	21,637	10,873	8,611
Consideration of assets transferred	(v)	—	873	—

The outstanding balances related to transactions with CMCC Group are included in the following accounts captions summarized as follows:

	Note	As of December 31, 2020 Million	As of December 31, 2019 Million
Accounts receivable		995	630
Other receivables		372	277
Prepayments and other current assets		6	2
Amounts due from ultimate holding company		1,396	1,350
Right-of-use assets		679	399
Lease liabilities		770	468
Accounts payable		4,770	6,741
Accrued expenses and other payables		1,696	90
Amounts due to ultimate holding company	(iv)	26,714	21,677

These amounts arise in the ordinary course of business and with terms determined through mutual negotiation.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with CMCC Group (Continued)

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, and telecommunications line maintenance services.
- (ii) The amounts represent the charges of property leasing and management fees received/receivable from or paid/payable to CMCC Group in respect of offices, retail outlets and warehouses. The amounts included the depreciation of right-of-use assets recognized in relation to the property leasing agreements and the finance cost associated with the lease liabilities.
- (iii) The amounts represent the charges for use of network assets and the TD-SCDMA network capacity charges paid/payable to CMCC Group.
- (iv) The amounts represent the deposits received from or repaid to CMCC Group and interest expenses paid/payable to CMCC Group in respect of the deposits.
- (v) On August 9, 2019, the Group completed an acquisition of assets related to the “Village Connect” project, at a total consideration of RMB873 million.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Principal transactions with associates and joint ventures of the Group

The following is a summary of principal related party transactions entered into by the Group with the associates and joint ventures of the Group for the year ended December 31, 2018, 2019 and 2020.

	Note	2020 Million	2019 Million	2018 Million
Revenue from telecommunications services	(i)	582	535	604
Property leasing and management services revenue	(ii)	32	30	40
Interest and other income	(iii)	969	6,130	4,083
Dividend income		4,362	2,299	691
Telecommunications services charges	(i)	2,515	474	528
Related costs for use of tower assets	(iv)	<u>41,438</u>	<u>39,843</u>	<u>37,837</u>

The outstanding balances related to transactions with the associates and joint ventures of the Group are included in the following accounts captions summarized as follows:

	Note	As of December 31, 2020 Million	As of December 31, 2019 Million
Accounts receivable	(i)	185	225
Interest receivable	(iii)	502	831
Right-of-use assets	(iv)	30,355	40,316
Other receivables	(v)	5,895	9,545
Financial assets at FVPL	(vi)	25,692	54,490
Bank deposits	(vii)	55,977	59,205
Prepayments and other current assets		23	36
Lease liabilities	(iv)	37,729	43,142
Accounts payable	(iv)	4,691	4,708
Bills payable	(iv)	1,214	356
Accrued expenses and other payables	(iv)	<u>8,228</u>	<u>6,511</u>

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Principal transactions with associates and joint ventures of the Group (Continued)

Note:

- (i) The amounts represent telecommunications services settlement received/receivable from or paid/payable to the Group's associates and joint ventures for the telecommunications project planning, design and construction services and the charges of purchasing software products and services paid/payable to the Group's associates and joint ventures.
- (ii) The amounts represent the property leasing and management service revenue received/receivable from China Tower and other associates and joint ventures.
- (iii) The amounts primarily represent interest received/receivable from deposits placed with SPD Bank, placements with SPD Bank and short-term loans granted to China Tower; and they also include income derived from WMPs purchased from SPD Bank and the loss from the CB publicly issued by SPD Bank as mentioned in note 23.
- (iv) The amounts primarily represent the right-of-use assets and lease liabilities recognized and the amount paid/payable to China Tower and other associates and joint ventures for the use of telecommunications towers. Related costs for use of tower assets include charges for use of tower assets, the depreciation of the right-of-use assets, and the finance cost associated with the lease liabilities.
- (v) The amounts primarily represent the short-term loans granted to China Tower, placements with SPD Bank, and withholding power and utilities expenses and lease charges payable on behalf of China Tower, etc. The interest rates of short-term loans granted to China Tower are mutually agreed among both parties with reference to the market interest rates.
- (vi) The amounts represent the WMPs purchased from SPD Bank and the CB publicly issued by SPD Bank. The return rates of WMPs are determined with reference to market conditions and the fair values of CB are based on quoted market prices (level 1).
- (vii) The amounts represent the deposits placed with SPD Bank, the interest rate of which is determined in accordance with the benchmark interest rate published by PBOC.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with associates and joint ventures of CMCC Group

In addition, the Group has entered into transactions with associates and joint ventures of CMCC Group during the ordinary course of the Group's business based on terms comparable to terms of transactions enacted with other entities, the amounts of such transactions and related outstanding balances were not material.

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

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

Apart from transactions with CMCC Group (notes 29 and 37(a)), associates and joint ventures (note 37(b)) and the transaction to increase contribution to the Fund (note 21), 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 during the ordinary course of the Group's business based on terms comparable to the terms of transactions enacted with other entities that are not government-related. The Group prices all its telecommunications services and products based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

(e) For key management personnel remuneration, please refer to note 11.

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 sheets, which mainly include deposits with banks, WMPs (recorded in FVPL), CB (recorded in FVPL), accounts receivable and other receivables. The maximum exposure to credit risk is represented by the carrying amount of the financial assets.

(i) Risk management

Substantially all the Group's cash at banks, and bank deposits are deposited in financial institutions in the mainland of 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. WMPs 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 the related credit risks are low. CB are bonds with AAA credit rating bonds issued by SPD Bank, with a low level of credit risks.

The accounts receivable of the Group are primarily comprised of receivables due from customers and other telecommunications operators. Accounts receivable from individual 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. For corporate customers, the credit period granted by the Group is based on the service contract terms, normally not exceeding 1 year. Other receivables primarily comprise interest receivable from banks, utilities deposits, rental deposits and short-term loans granted to other companies through China Mobile Finance. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis, taking into account the counter parties' financial position, the Group's past experience and other factors. Meanwhile, 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 considers the aggregate risks arising from the possibility of credit losses is limited and acceptable.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk and concentration risk (Continued)

(ii) Impairment of financial assets

The Group has 3 types of assets that are subject to expected credit loss model:

- Accounts receivable
- Contract assets
- Other financial assets at amortized cost

Accounts receivable and contract assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable and contract assets.

To measure the expected credit losses, accounts receivable have been grouped by amounts due from individual customers, corporate customers, and other miscellaneous customer groups based on similar credit risk characteristics and ages.

The expected loss rates are based on the payment profiles of sales over a period before December 31, 2020 or December 31, 2019 respectively and the corresponding historical credit losses experienced within this period. The Group's expected loss rates are mainly determined based on the corresponding historical credit losses. The Group also has considered the expected changes in macroeconomic factors, such as Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Gross Domestic Product ("GDP"), and accordingly adjusted the historical loss rates based on expected changes in these factors to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk and concentration risk (Continued)

(ii) Impairment of financial assets (Continued)

Accounts receivable and contract assets (Continued)

The expected credit loss as of December 31, 2020 and 2019 was determined as follows for each customers group of accounts receivable due from individual customers and corporate customers, respectively:

	Within 30 days Million	31 days to 90 days Million	91 days to 1 year Million	Over 1 year Million
As of December 31, 2020				
Individual customers				
Expected loss rate	2%	20%	80%	100%
Gross carrying amount	3,112	846	1,772	1,531
Loss allowance	(62)	(169)	(1,418)	(1,531)
As of December 31, 2020				
Corporate customers				
Expected loss rate	3%	25%	65%	85%
Gross carrying amount	15,405	6,048	3,361	1,433
Loss allowance	(462)	(1,512)	(2,185)	(1,438)
As of December 31, 2019				
Individual customers				
Expected loss rate	2%	20%	80%	100%
Gross carrying amount	3,220	1,308	2,436	1,532
Loss allowance	(64)	(262)	(1,949)	(1,532)
As of December 31, 2019				
Corporate customers				
Expected loss rate	2%	20%	60%	80%
Gross carrying amount	10,537	3,733	2,228	1,052
Loss allowance	(211)	(747)	(1,337)	(938)

As of December 31, 2020 and 2019, the expected loss rates for contract assets are from 2% to 5%.

The expected credit loss of the receivables from other customers is insignificant.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk and concentration risk (Continued)

(ii) Impairment of financial assets (Continued)

Accounts receivable and contract assets (Continued)

Expected credit impairment losses on accounts receivable are presented within other operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

Other financial assets at amortized cost

Other financial assets at amortized cost include cash and cash equivalents, bank deposits, restricted bank deposits, other receivables and amounts due from ultimate holding company, etc. They are considered to be of low credit risk and the impairment loss allowance recognized is limited to 12 months. Management considers that the expected credit loss is insignificant.

(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 maintains sufficient cash balances and bank deposits (which are readily convertible to known amounts of cash) to meet its funding needs, including working capital, payments for short-term deposits of CMCC Group received by China Mobile Finance, dividend payments and capital expenditures.

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:

	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	More than 5 years Million
As of December 31, 2020						
Accounts payable	167,990	167,990	167,990	—	—	—
Bills payable	4,561	4,561	4,561	—	—	—
Accrued expenses and other payables	200,952	200,952	200,952	—	—	—
Amount due to ultimate holding company	26,714	26,714	26,714	—	—	—
Lease liabilities	66,633	72,291	23,780	22,927	17,513	8,071
Other non-current liabilities	460	479	—	67	70	342
	<u>467,310</u>	<u>472,987</u>	<u>423,997</u>	<u>22,994</u>	<u>17,583</u>	<u>8,413</u>
As of December 31, 2019						
Accounts payable	164,818	164,818	164,818	—	—	—
Bills payable	2,896	2,896	2,896	—	—	—
Accrued expenses and other payables	182,368	182,368	182,368	—	—	—
Amount due to ultimate holding company	21,677	21,677	21,677	—	—	—
Lease liabilities	74,303	80,973	23,814	39,791	9,662	7,706
	<u>446,062</u>	<u>452,732</u>	<u>395,573</u>	<u>39,791</u>	<u>9,662</u>	<u>7,706</u>

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate and fair value risk

The Group consistently monitors the current and potential fluctuation of interest rates in managing the interest rate risk on a reasonable level. As of December 31, 2020, the Group did not have any interest-bearing borrowings at variable rates, but had RMB26,706 million (as of December 31, 2019: RMB21,637 million) of short-term bank deposits placed by CMCC, 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 of December 31, 2020, total cash and bank balances of the Group amounted to RMB334,777 million (as of December 31, 2019: RMB317,166 million), interest-bearing receivables amounted to RMB36,835 million (as of December 31, 2019: RMB18,914 million) and WMPs, amounted to RMB117,289 million (as of December 31, 2019: RMB103,328 million). The interest and other income generated by the assets mentioned above for 2020 was RMB14,332 million (2019: RMB14,408 million) and the average interest rate was 3.02% (2019: 3.17%). Assuming the total cash and bank balances, interest-bearing receivables and WMPs 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 RMB3,779 million (2019: RMB3,334 million).

The carrying amount of the financial instruments carried at amortized cost are not materially different from their respective fair values at the balance sheet dates due to the short-terms or repayable on demand nature.

(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 that is different from the functional currency of the respective group entities. As the amount of the Group's foreign currency cash and deposits with banks represented 3.1% (2019: 3.5%) 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.

39 CAPITAL COMMITMENTS

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

	2020 Million	2019 Million
Land and buildings	8,607	7,430
Telecommunications equipment and others	37,967	34,463
	<u>46,574</u>	<u>41,893</u>

40 POST BALANCE SHEET EVENT

In January 2021, the Company received a notification from the NYSE that the NYSE has determined to commence proceedings to delist the American Depositary Shares ("ADSs") of the Company. The Company has filed with the NYSE a written request for a review of such determination. The management has assessed and concluded that such event had no material impact on the Group's consolidated financial statements for the year ended December 31, 2020, and the Group will continue to follow up the development of related matters.

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended December 31, 2020. Further details are disclosed in note 36(b)(i).

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

Impairment losses of accounts receivable

The impairment loss allowance of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group assesses these assumptions and selects the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at each balance sheet date.

Amortization of contract cost

Certain costs incurred to obtain contracts are deferred and recognized as assets on the Group's consolidated balance sheets. Such assets should be amortized on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates. The Group determines the amortization periods for these assets as the expected duration of the customer contract, which is consistent with the recognition of revenue from the products and services to which the assets relate. The amortization period is updated if there is a significant change in the Group's expected duration of the customer contract.

Depreciation

Depreciation is calculated to write off the cost 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.

41 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

Taxation

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

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

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

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

The recoverable amount of an asset is the greater of its fair value less costs of disposal and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable estimation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in further impairment charge or reversal of impairment in future periods. Additional information for the impairment assessment of property, plant and equipment, goodwill and investments accounted for using the equity method is disclosed in notes 15, 19 and 21, respectively.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE OR MANDATORY FOR THE YEAR ENDED DECEMBER 31, 2020

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and new standards and interpretations which are not yet effective or mandatory for the year ended December 31, 2020 and which have not been adopted in these consolidated financial statements. Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 16 "Lease" - Covid-19-related Rent Concessions	June 1, 2020
Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment" - Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" - Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

43 CONDENSED FINANCIAL INFORMATION OF THE COMPANY

(a) Condensed statements of comprehensive income

	2020 Million	2019 Million	2018 Million
Dividend income	61,401	53,475	60,044
Operating expenses	(70)	(70)	(67)
Interest and other income	17	38	41
Other gains	—	77	250
Profit before taxation	<u>61,348</u>	<u>53,520</u>	<u>60,268</u>
Taxation	(4)	(9)	—
PROFIT FOR THE YEAR	<u>61,344</u>	<u>53,511</u>	<u>60,268</u>
Other comprehensive income for the year	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>61,344</u></u>	<u><u>53,511</u></u>	<u><u>60,268</u></u>

43 CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

(b) Condensed balance sheets

	As of December 31, 2020 Million	As of December 31, 2019 Million
Non-current assets	494,236	492,759
Current assets	2,183	2,262
Current liabilities	4,669	5,121
Non-current liabilities	—	—
NET ASSETS	<u>491,750</u>	<u>489,900</u>
TOTAL EQUITY	<u>491,750</u>	<u>489,900</u>

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

(c) Condensed statements of cash flows

	2020 Million	2019 Million	2018 Million
Net cash (used)/generated from operating activities	<u>(96)</u>	<u>(156)</u>	<u>2</u>
Net cash generated from investing activities	<u>16,414</u>	<u>14,778</u>	<u>15,792</u>
Net cash used in financing activities	<u>(16,288)</u>	<u>(14,532)</u>	<u>(16,331)</u>
Net increase/(decrease) in cash and cash equivalents	30	90	(537)
Cash and cash equivalents at beginning of year	310	245	554
Effect of changes in foreign exchange rate	<u>(46)</u>	<u>(25)</u>	<u>228</u>
Cash and cash equivalents at end of year	<u>294</u>	<u>310</u>	<u>245</u>

THE COMPANIES ORDINANCE (CHAPTER 622)
Company Limited by Shares
ARTICLES OF ASSOCIATION
(adopted by Special Resolution passed on ~~8 October 1997~~ 29 April 2021)
OF
CHINA MOBILE LIMITED
中國移動有限公司
~~(Formerly CHINA MOBILE (HONG KONG) LIMITED)~~
(前稱中國移動(香港)有限公司)
(Inclusive of alterations up to 22 May 2014)

PRELIMINARY

1. The regulations contained in the Model Articles in Schedule 1 to the Companies (Model Articles) Notice (Chapter 622H of the Laws of Hong Kong) shall not apply to the Company.

INTERPRETATION

2. (a) In these Articles save where the context otherwise requires:-
 - “Associates” has the same meaning ascribed to it under the HKSE Listing Rules;
 - “Auditors” means the Auditors of the Company for the time being;
 - “Chairman” means the Chairman presiding at any meeting of members or the Board;
 - “Company” means the above-named Company;
 - “Ordinance” means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), and includes every other ordinance incorporated therewith or substituted therefor; and in the case of any such substitution the references in these Articles to the provisions of the Ordinance shall be read as references to the provisions substituted therefor in the new ordinance;
 - “Board” and “Directors” means the directors for the time being of the Company or the Directors present at a duly convened meeting of directors at which a quorum is present;
 - “call” includes any instalment of a call and, in the application of provisions of these Articles to forfeiture of shares, a sum which, by the terms of issue of a share, is payable at a fixed time in respect of moneys unpaid on the shares;
 - “capital” means the share capital from time to time of the Company;
 - “Clearing House” means a recognised clearing house under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any other ordinance substituted therefor;

“Dividend” includes distributions in specie or in kind, capital distributions and capitalisation issues;

“Dollars” and “HK\$” means dollars in the lawful currency of Hong Kong;

“electronic communication” means a communication sent, transmitted, conveyed and received by wire, by radio, by optical means, by electronic means or by other electromagnetic means in any form through any medium;

“electronic facilities” includes, without limitation, website addresses, webinars, webcast, video or any form of conference call systems (telephone, video, web or otherwise);

“electronic meeting” means a general meeting held and conducted wholly and exclusively by virtual attendance and participation by members and/or proxies by means of electronic facilities;

“electronic signature” means any letters, characters, numbers or other symbols in digital form attached to or logically associated with a document, and executed or adopted for the purpose of authenticating or approving the document;

“HKSE Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“hybrid meeting” means a general meeting held and conducted by (i) physical attendance and participation by members and/or proxies at one or more Meeting Location(s) and (ii) virtual attendance and participation by members and/or proxies by means of electronic facilities;

“Meeting Location(s)” means the place(s) of a meeting and any meeting location(s) as may be determined by the Board pursuant to Article 67;

“month” means calendar month;

“Office” means the registered office of the Company for the time being;

“paid up” includes credited as paid up;

“physical meeting” means a general meeting held and conducted by physical attendance and participation by members and/or proxies at one or more Meeting Location(s);

“Principal Meeting Place” means the place of the meeting or if there is more than one Meeting Location, the principal place of the meeting;

“Register” means the register of members of the Company kept pursuant to the Ordinance and includes any branch register kept pursuant to the Ordinance;

“Seal” means the common seal of the Company or any official seal that the Company may have as permitted by the Ordinance;

“Secretary” means the person or persons appointed for the time being to perform for the Company the duties of a secretary;

“share” means a share in the capital of the Company;

“shareholder”, “member” and “holder” means a duly registered holder from time to time of share(s);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“these Articles” means these Articles of Association in their present form or as altered from time to time;

~~“in writing” and “written” includes facsimile and telex messages and any mode of reproducing words in a legible and non-transitory form.~~

(b) In these Articles, if not in consistent with the subject or context:-

(i) words importing the singular number only shall include the plural number and vice versa;

(ii) words importing any gender shall include all other genders ~~and~~;

(iii) references to persons shall include corporations (acting, where applicable, by their duly authorised representatives);

(iv) references to something in writing or written shall be construed as including printing, lithography, photography and other modes of representing or reproducing words or figures in a legible and non-transitory form or, to the extent permitted by and in accordance with the Ordinance, the HKSE Listing Rules and other applicable laws, rules and regulations, any visible substitute for writing (including an electronic communication), or modes of representing or reproducing words partly in one visible form and partly in another visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and (where applicable) the member’s election comply with the Ordinance, the HKSE Listing Rules and other applicable laws, rules and regulations;

(v) references to a notice or document (including, without limitation, a resolution in writing or minutes) include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;

(vi) references to a notice or document (including, without limitation, a resolution in writing or minutes) being signed or executed include references to it being signed or executed under hand or under seal or by electronic signature or by electronic communication or by any other method;

(vii) references to a meeting shall mean a meeting convened and held in any form or manner permitted by these Articles and any member or Director (including, without limitation, the Chairman of such meeting) attending and participating at a meeting by means of electronic facilities or other communication facilities shall be deemed to be present at that meeting for all purposes of the Ordinance and other applicable laws, rules and regulations and these Articles, and attend, participate, attending, participating, attendance and participation shall be construed accordingly;

(viii) references to the form of a general meeting shall mean physical meeting, hybrid meeting or electronic meeting; and

(ix) references to a person’s participation in the business of a general meeting shall include, without limitation and as relevant, the right (including, in the case of a corporation, through a duly authorised representative) to speak, communicate, vote, be represented by a proxy and have access in hard copy or electronic form to all documents which are required by the Ordinance, the HKSE Listing Rules, these Articles or other applicable laws, rules or regulations to be made available at the meeting, and participate and participating in the business of a general meeting shall be construed accordingly.

- (c) Subject as aforesaid, any words defined in the Ordinance shall, if not in consistent with the subject or context, bear the same meaning in these Articles.
- (d) The headings and any marginal notes a reinserted for convenience only and shall not affect the construction of these Articles.

NAME

3. The name of the Company is “CHINA MOBILE LIMITED 中國移動有限公司”.¹

THE OFFICE

4. The Office shall be at such place in Hong Kong as the Directors shall from time to time appoint.

LIABILITY OF MEMBERS

5. The liability of members is limited to any amount unpaid on the shares held by the members.

SHARES

6. Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with or without any special voting rights.
7. Without prejudice to any special rights, privileges or restrictions for the time being attached to any issued shares, any unissued or forfeited shares may be issued or re-issued upon such terms and conditions, and with such rights, privileges and restrictions attached thereto, whether in regard to dividends, voting, repayment or redemption of share capital, or otherwise, as the Company may, subject to the Ordinance, from time to time determine or, in the absence of any such determination, as the Directors shall determine.
8. The Board may issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine, provided that the Company shall not have power to issue share warrants in bearer form.
9. Save as provided by contract or the Ordinance or these Articles to the contrary, all unissued shares shall be at the disposal of the Directors who may allot, grant options over or otherwise deal with or dispose of the same to such persons, at such times, for such consideration and generally upon such terms and conditions as they shall in their absolute discretion think fit.
10. The Company may make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and the time of payment of such calls.
11. If by the conditions of allotment of any shares the whole or part of the issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the shares, or his legal personal representative.

¹ Pursuant to a Special Resolution passed on 16 June 2000, the name of the Company was changed to “China Mobile (Hong Kong) Limited (中國移動(香港)有限公司)” with effect from 28 June 2000.

Pursuant to a Special Resolution passed on 18 May 2006, the name of the Company was changed to “China Mobile Limited 中國移動有限公司” with effect from 29 May 2006.

12. Subject to the provisions of the Ordinance, any preference share may be issued on the terms that it is, or at the option of the Company is liable, to be redeemed.
13. Subject to the provisions of these Articles, except as required by law or ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any share upon any trust, and except as aforesaid, the Company shall not be bound by or required in any way to recognise any contingent, future, partial or equitable interest in any share or in any fractional part of a share or any other right in respect of any share or any other claim to or in respect of any such share on the part of any person (even when having notice thereof) except an absolute right to the entirety thereof in the registered holder.
14. The Company may in connection with the issue of any shares exercise all powers of paying interest out of capital and of paying commission and brokerage conferred or permitted by the Ordinance.
15. No person shall become a member until his name shall have been entered into the Register.

JOINT HOLDERS OF SHARES

16. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the following provisions:-
 - (a) the Company shall not be bound to register more than four persons as the holders of any shares except in the case of the legal personal representatives of a deceased member;
 - (b) the joint holders of any shares shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such shares;
 - (c) on the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such shares, but the Directors may require such evidence of death as they may deem fit;
 - (d) any one of such joint holders may give effectual receipts for any dividend, bonus or return of capital payable to such joint holders; and
 - (e) the Company shall be at liberty to treat the person whose name stands first in the Register as one of the joint holders of any shares as solely entitled to delivery of the certificate relating to such shares, or to receive notices from the Company, or to attend or vote at general meetings of the Company, and any notice given to such person shall be deemed notice to all the joint holders; but any one of such joint holders may be appointed the proxy of the persons entitled to vote on behalf of such joint holders, and as such proxy to attend and vote at general meetings of the Company, but if more than one of such joint holders be present at any meeting personally or by proxy that one so present whose name stands first in the Register in respect of such shares shall alone be entitled to vote in respect thereof.

SHARE CERTIFICATES

17. In accordance with the Ordinance, every person whose name is entered as a member in the Register shall be entitled without payment to receive after allotment or lodgment of an instrument of transfer duly stamped one certificate for all his shares of any particular class, or if he shall so request, upon payment of a fee (not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit) for every certificate after the first, as the Directors shall from time to time determine, such number of certificates for shares in Stock Exchange board lots or multiples thereof as he shall request and one for the balance (if any) of the shares in question, provided that in the event of a member transferring part of the shares represented by a certificate in his name a new certificate in respect of the balance thereof shall be issued in his name without payment and, in the case of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.

18. Every share certificate shall be issued under the Seal (which for this purpose may be any official seal as permitted by section 126 of the Ordinance or a mechanical reproduction of the impression of such official seal) and shall specify the number and class of shares and, if required, the distinctive numbers thereof, to which the certificate relates, and the amount paid up thereon and may otherwise be in such form as the Board may from time to time determine. If at any time the share capital of the Company is divided into different classes of shares, every share certificate issued at that time shall comply with section 179 of the Ordinance, and no certificate shall be issued in respect of more than one class of shares.
19. Subject to sections 162 to 169 of the Ordinance, if any share certificate shall be worn out, defaced, destroyed or lost, it may be replaced on payment of such fee, if any (not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit), on such evidence being produced as the Directors shall require, and in case of wearing out or defacement, on delivery up of the old certificate, and in case of destruction or loss, on the execution of such indemnity (if any), as the Directors may require. In case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of the production of such indemnity.

CALLS ON SHARES

20. (a) The Directors may from time to time make calls upon the members in respect of all moneys unpaid on their shares but subject always to the terms of issue of such shares, and any such call may be made payable by instalments.
(b) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place for payment, pay to the Company the amount called on his shares and at the time or times and place so specified. The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, any of the members shall not invalidate the call.
21. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be revoked, varied or postponed as to all or any of the members liable therefor as the Directors may determine. A person on whom a call is made will remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made.
22. If any part of a call be not paid before or on the day appointed for payment thereof, the person from whom the payment is due shall be liable to pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment together with interest on the outstanding part thereof at such rate as the Directors shall determine (not exceeding twenty per cent. per annum) from the day appointed for the payment of such call or instalment to the time of discharge thereof in full; but the Directors may, if they shall think fit, waive the payment of such costs, charges, expenses or interest or any part thereof.
23. If, by the terms of the issue of any shares or otherwise, any amount is made payable upon allotment or at any fixed time, every such amount shall be payable as if it were a call duly made and payable on the date on which by the terms of issue the same becomes payable; and all the provisions hereof with respect to the payment of calls and interest thereon, or to the forfeiture of shares for non-payment of calls shall apply to every such amount and the shares in respect of which it is payable in the case of non-payment thereof.
24. The Directors may, if they shall think fit, receive from any member willing to advance the same (either in money or money's worth) all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him; and upon all or any of the moneys so paid in advance the Directors may (until the same would, but for such payment in advance, become presently payable) pay interest at such rate as may be agreed upon between the member paying the moneys in advance and the Directors (not exceeding twenty per cent. per annum). But a payment in advance of a call shall not entitle the shareholder to receive any dividend or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called. The Directors may also at any time repay the amount so advanced upon giving to such member one month's notice in writing unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced.

25. On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such money is due; that the resolution making the call is duly recorded in the minute book of the Company; and that notice of such call was duly given to the member sued in pursuance of these Articles, and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence that the money is due.
26. No member shall, unless the Directors otherwise determine, be entitled to receive any dividend or bonus, or to receive notice of or to be present or vote at any general meeting, either personally or (save as proxy for another member) by proxy, or to exercise any privileges as a member, or be reckoned in a quorum, until he shall have paid all calls or other sums for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

FORFEITURE

27. If any member fails to pay in full any call or any instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter, during such time as any part of the call remains unpaid without prejudice to the provisions of Article 26, serve a notice on him requiring him to pay so much of the call as is unpaid together with interest accrued and any expenses incurred by reason of such non-payment.
28. The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which such call or part thereof and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made, such place being either the Office, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call is payable will be liable to forfeiture.
29. If the requirements with regard to payment of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter and before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect, and any such forfeiture shall extend to all dividends and bonuses declared in respect of the shares so forfeited but not payable until after such forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such cases references in these Articles to forfeiture shall include surrender.
30. Any shares so forfeited shall be deemed for the purposes of this Article to be the property of the Company and may be sold, re-allotted or otherwise disposed of either subject to or discharged from all calls made prior to the forfeiture, to any person, upon such terms as to subscription price and otherwise and in such manner and at such time or times as the Directors think fit. For the purpose of giving effect to any such sale or other disposition the Directors may authorise the transfer of the shares so sold or otherwise disposed of to the purchaser thereof or any other person becoming entitled thereto. The Directors shall account to the person whose shares have been forfeited with the balance (if any) of monies received by the Company in respect of those shares after deduction of expenses of forfeiture, sale or disposal of the shares and any amounts due to the Company in respect of the shares.
31. The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit or permit the share forfeited to be redeemed upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

32. Any person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding the forfeiture be and remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with interest thereon from the date of forfeiture until payment at such rate as the Directors may prescribe (not exceeding twenty per cent. per annum), and the Directors may enforce the payment of such moneys or any part thereof and without any deduction or allowance for the value of the shares at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, shall notwithstanding that the time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.
33. When any shares have been forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry shall be made in the Register recording the forfeiture and the date thereof but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry, and so soon as the shares so forfeited have been sold or otherwise disposed of an entry shall also be made of the manner and date of the sale or disposal thereof.

LIEN

34. The Company shall have a first and paramount lien on every share (not being a fully paid-up share) for all moneys outstanding in respect of such share whether presently payable or not, and the Company shall also have a first and paramount lien on every share (other than fully paid-up shares) standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice has been given to the Company of any interest of any person other than such member, and whether the time for the payment or discharge of the same shall have already arrived or not, and notwithstanding that the same are joint debts or liabilities of such member or his estate and any other person, whether a member or not. The Company's lien on a share shall extend to all dividends payable thereon. The Directors may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be wholly or in part exempt from the provisions of this Article.
35. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death, bankruptcy or winding-up or otherwise by operation of law or court order.
36. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities in respect whereof the lien exists so far as the same are presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Directors may authorise some person to transfer the shares so sold to the purchaser thereof and may enter the purchaser's name in the Register as holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
37. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allocation or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

38. The instrument of transfer of any shares in the Company shall be in writing the usual common form or in such other form as the Board may accept and may be under hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
39. Every instrument of transfer shall be lodged at the Office for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto. All instruments of transfer which shall be registered shall be retained by the Company, but save where fraud is suspected any instrument of transfer which the Directors may decline to register shall, on demand, be returned to the person depositing the same.
40. There shall be paid to the Company in respect of the registration of a transfer and of any Grant of Probate or Letters of Administration, Certificate of Marriage or Death, Power of Attorney or other document relating to or affecting the title to any share or for making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribe (but not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit).
41. The registration of transfers may be suspended at such times and for such periods as the Directors may, in accordance with section 632 of the Ordinance, from time to time determine and either generally or in respect of any class of shares.
42. The Directors may, subject to sections 151, 152 and 158 of the Ordinance, at any time in their absolute discretion and without assigning any reason therefor decline to register any transfer of any share (not being a fully paid-up share). If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.
43. The Directors may also decline to register any transfer unless:
- (a) the instrument of transfer is in respect of only one class of share;
 - (b) in the case of a transfer to joint holders, the number of transferees does not exceed four;
 - (c) the shares concerned are free of any lien in favour of the Company;
 - (d) the instrument of transfer is properly stamped;
 - (e) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;
 - (f) a fee not exceeding the maximum fee prescribed or permitted from time to time by the Stock Exchange is paid to the Company in respect thereof;

(g) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

44. No transfer may be made to an infant or to a person of unsound mind or under other legal disability.

TRANSMISSION OF SHARES

45. In the case of the death of a member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder, whether sole or joint, from any liability in respect of any share solely or jointly held by him.

46. Any person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall, upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the shares upon giving to the Company notice in writing of such his desire or to transfer such shares to some other person. All the limitations, restrictions and provisions of these Articles and the Ordinance relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as if the same were a transfer of shares by a member, including the Directors' right to refuse or suspend registration.

47. A person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the shares, provided always that the Directors may at any time give notice requiring any such person to elect to be registered himself or to transfer the shares, and if the notice is not complied with within sixty days, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the shares until the requirements of the notice have been complied with but subject to the requirements of Article ~~73~~81 being met, such a person may vote at meetings.

INCREASE OF CAPITAL

48. A general meeting resolving upon the creation of any new shares may direct that the same or any of them shall be offered in the first instance, to all the holders for the time being of any class of shares in the capital of the Company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Directors, and Article 9 shall apply thereto. The Company may exercise any powers conferred or permitted by the Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares at any price or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares in the Company and should the Company purchase or otherwise acquire its own shares neither the Company nor the Board shall be required to select the shares to be purchased or otherwise acquired ratably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the Securities and Futures Commission from time to time in force.

49. Subject to any direction or determination that may be given or made in accordance with the powers contained in these Articles, all new shares created shall be subject to the same provisions herein contained with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as the existing shares of the Company.

ALTERATIONS OF SHARE CAPITAL

50. The Company may by ordinary resolution:-
- (a) subdivide its existing shares or any of them into a larger number of shares provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares;
 - (b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
 - (c) consolidate and divide its capital or any part thereof into a larger or smaller number of shares than its existing shares;
 - (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person;
 - (e) make provision for the issue and allotment of shares which do not carry any voting rights; and
 - (f) generally alter its share capital in any one or more of the ways permitted under the Ordinance.
51. The Company may by special resolution reduce its share capital in any manner allowed by law.
52. Where any difficulty arises in regard to any consolidation and division under paragraph (c) of Article 50, the Directors may settle the same as they think expedient and in particular may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the members who would have been entitled to the fractions, and for this purpose the Directors may authorise some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

MODIFICATION OF RIGHTS

53. All or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may subject to the provisions of the Ordinance, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in these Articles relating to general meetings shall mutatis mutandis apply to every such meeting but so that the quorum thereof shall be not less than two persons holding or representing by proxy one third of the total voting rights of holders of shares of the class, and that any holder of shares of that class present in person or by proxy may demand a poll.
54. The provisions of the foregoing Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.
55. The special rights conferred upon the holders of the shares or class of shares shall not unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

GENERAL MEETINGS

56. The Company shall in respect of each financial year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held within 6 months after the end of each financial year ~~and at such place(s) as may be determined by the Directors~~. All other general meetings shall be called extraordinary general meetings.
57. The Directors may whenever they think fit, and shall on requisition in accordance with the Ordinance, proceed to convene an extraordinary general meeting.
58. A general meeting may be held at two or more places using any technology that enables members who are not together at the same place to listen, speak and vote at such meeting. Specifically, a general meeting may be held as a physical meeting, a hybrid meeting or an electronic meeting, as may be determined by the Directors in their absolute discretion.

NOTICE OF GENERAL MEETINGS

59. Subject to section 578 of the Ordinance, an annual general meeting shall be called by not less than 21 days' notice in writing, and any other general meeting shall be called by not less than 14 days' notice in writing. The notice shall specify the ~~place(s)~~, date and time of meeting and, save for an electronic meeting, the Principal Meeting Place. If the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation at the meeting or where such details will be made available by the Company prior to the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company.
60. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in these Articles or required by the Ordinance, it shall be deemed to have been duly called if it is so agreed:-
- (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
 - (b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent of the shares giving that right.
61. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

62. No business save the election of a ~~e~~Chairman of the meeting shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.
63. If, within fifteen minutes from the time appointed for the meeting a quorum be not present, the meeting, if convened upon requisition in accordance with the Ordinance, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time, in the same form and (where applicable) at the same place(s), or to such other day, and time, in such form and (where applicable) at such place(s) as the Chairman of the meeting (or in default, the Board) may at his/its absolute discretion determine. If at such adjourned meeting a quorum be not present within fifteen minutes from the time appointed for the meeting, the member or members present in person or by proxy shall be a quorum and may transact the business for which the meeting is called.

64. The Chairman (if any) of the Board or, in his absence, a Deputy Chairman (if any) shall preside as Chairman at every general meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor a Deputy Chairman is present within fifteen minutes after the time appointed for holding the meeting, or if neither of them is willing to act as Chairman of the meeting, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as Chairman of the meeting if willing to act. If no Director is present, or if each of the Directors present declines to act as Chairman of the meeting, the persons present and entitled to vote shall elect one of their number to be Chairman of the meeting.

65. The Chairman of a general meeting (be it a physical meeting, a hybrid meeting or an electronic meeting) may attend, preside at, and conduct proceedings of, such meeting at any Meeting Location or by means of electronic facilities.

~~65.~~66. The Chairman of any general meeting at which a quorum is present may, with the consent of the meeting, and shall, if so directed by the meeting, adjourn the meeting from time to time ~~and~~ from place(s) to place(s) and/or from one form to another or sine die; but no business shall be transacted at any adjourned meeting other than business which might have been transacted at the meeting from which the adjournment took place unless due notice thereof is given or such notice is waived in the manner prescribed by these Articles. All business conducted at the meeting up to the time of such adjournment shall be valid. When a meeting is adjourned for thirty days or more, or sine die, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjourned meeting or the business to be transacted thereat. Where a meeting is adjourned sine die the time, form and (where applicable) place(s) for the adjourned meeting shall be fixed by the Directors.

67. Without affecting the generality of Article 58, the Board may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations determined by the Board from time to time at its absolute discretion.

68. All general meetings are subject to the following:-

(a) any physical meeting or hybrid meeting shall be treated as having commenced if it has commenced at the Principal Meeting Place;

(b) members attending and participating in person (in the case of a member being a corporation, by its duly authorised representative) or by proxy:-

(i) in a physical meeting or a hybrid meeting at a Meeting Location; and/or

(ii) in an electronic meeting or a hybrid meeting by means of electronic facilities.

are deemed to be present at and shall be counted towards the quorum of and are entitled to vote at the meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the Chairman of the meeting is satisfied that adequate electronic facilities are available throughout the meeting to ensure that members and/or proxies at all Meeting Locations and members and/or proxies participating in an electronic meeting or a hybrid meeting by means of electronic facilities are able to participate in the business for which the meeting has been convened;

(c) where members and/or proxies attend a meeting by being present at one of the Meeting Locations and/or where members and/or proxies participating in an electronic meeting or a hybrid meeting by means of electronic facilities, a failure for any reason of the electronic facilities or communication equipment, or any other failure in the arrangements for enabling those in a Meeting Location other than the Principal Meeting Place to participate in the business for which the meeting has been convened or in the case of an electronic meeting or a hybrid meeting, the inability of one or more members or proxies to access, or continue to access, the electronic facilities despite adequate electronic facilities having been made available by the Company, shall not affect the validity of the meeting or the resolutions passed, or any business conducted there or any action taken pursuant to such business provided that there is a quorum present throughout the meeting; and

(d) the provisions of these Articles concerning the service and giving of notice for the meeting, and the time for lodging proxies, shall apply by reference to the date and time in Hong Kong.

69. The Board and, at any general meeting, the Chairman of the meeting may from time to time make arrangements for managing attendance and/or participation and/or voting at any Meeting Location(s) and/or in an electronic meeting or a hybrid meeting by means of electronic facilities (include, without limitation, the issue of tickets or some other means of identification, passcode, seat reservation, electronic voting or otherwise) as it/he shall in its/his absolute discretion consider appropriate, and may from time to time change any such arrangements, provided that a member who is entitled to attend the meeting or adjourned meeting shall be entitled to attend and participate, in person (in the case of a member being a corporation, by its duly authorised representative) or by proxy, at one Meeting Location or by means of electronic facilities; and the entitlement of any member so to attend the meeting or adjourned meeting at such Meeting Location(s) or by means of electronic facilities shall be subject to any such arrangement as may be for the time being in force and by the notice of the meeting or adjourned meeting stated to apply to the meeting.

70. If it appears to the Chairman of the general meeting (or in default, the Board) that:-

- (a) in the case of a physical meeting or a hybrid meeting, the electronic facilities at the Principal Meeting Place or at such other Meeting Location(s) at which the meeting may be attended have become inadequate for the purposes referred to in Article 67 or are otherwise not sufficient to allow the meeting to be conducted substantially in accordance with the provisions set out in the notice of the meeting;
- (b) in the case of an electronic meeting or a hybrid meeting, electronic facilities being made available by the Company have become inadequate;
- (c) it is not possible or practicable to ascertain the view of those present or to give all persons entitled to do so a reasonable opportunity to communicate and/or vote at the meeting; or
- (d) there is violence or the threat of violence, unruly behaviour or other disruption occurring at the meeting or it is not possible or practicable to secure the proper and orderly conduct of the meeting,

then, without prejudice to any other power which the Chairman or the Board may have under these Articles or at common law, the Chairman or the Board may, whether before or after the meeting has started, at his/its absolute discretion, without the consent of the meeting, and irrespective of whether a quorum is present, adjourn the meeting (including adjournment sine die). All business conducted at the meeting up to the time of such adjournment shall be valid. Such adjournment shall be subject to the provisions of Article 66 in relation to notice of the adjourned meeting.

71. The Board and, at any general meeting, the Chairman of the meeting may from time to time make any arrangement, determine and/or implement any requirements, procedures, measures or restrictions which the Board or the Chairman of the meeting, as the case may be, in its/his absolute discretion considers appropriate to ensure the security and orderly conduct of a meeting (including, without limitation, requiring evidence of identity to be produced by those attending the meeting, searching of their personal property, restricting items that may be taken into any Meeting Location, and determining the number and frequency of and the time allowed for questions that may be raised at a meeting). Members shall also comply with all requirements imposed by the owner(s) of the premises at or system(s) through which the meeting is held. Any decision made under this Article shall be final and conclusive and a person who refuses to comply with any such arrangements, requirements, procedures, measures or restrictions may be refused entry to the meeting or ejected (physically or electronically) from the meeting.

72. All persons seeking to attend and participate in an electronic meeting or a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so. Subject to Article 70, any inability of a person or persons to attend or participate in a general meeting by way of electronic facilities shall not invalidate the proceedings of and/or resolutions passed at that meeting.

73. Without prejudice to Articles 67 to 72, a physical meeting may also be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

VOTING

- 66-74. (a) At any general meeting a resolution put to the vote of the meeting shall be decided on a poll demanded by:-
- (i) the Chairman of the meeting; or
 - (ii) at least three members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
 - (iii) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than 5 per cent. of the total voting rights of all members having the right to attend and vote at the meeting; or
 - (iv) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than 5 per cent. of the total sum paid up on all shares conferring that right,
- provided that a resolution put to the vote of the meeting may be decided on a show of hands to the extent permitted by HKSE Listing Rules.
- (b) Subject to Article ~~66~~74(a), a declaration by the Chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

67-75. A demand for a poll may be withdrawn only with the approval of the Chairman of the meeting, at any time before the close of the meeting or the taking of the poll, whichever is earlier. If a poll be directed or demanded in the manner (including the use of ballot or voting papers or tickets) above mentioned it shall (subject to the provisions of Article ~~69~~77 hereof) be taken at such time (being not later than thirty days after the date of the demand) and in such manner as the Chairman of the meeting may appoint. No notice need be given of a poll not taken immediately. The result of such poll shall be deemed for all purposes to be the resolution of the meeting at which the poll was so directed or demanded.

68-76. In the case of an equality of votes at any general meeting, whether upon a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.

- ~~69-77.~~ A poll demanded upon the election of a Chairman or upon a question of adjournment shall be taken forthwith. Any business, other than that upon which a poll has been demanded, may be proceeded with pending the taking of the poll.
- ~~70-78.~~ (a) Save as expressly provided in these Articles, no person other than a member duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member) either personally or by proxy, or to be reckoned in a quorum at any general meeting.
- (b) No objection shall be made to the validity of any vote except at a meeting at which such vote shall be tendered and every vote whether given personally or by proxy not disallowed at such meeting shall be deemed valid for all purposes whatsoever of such meeting or poll.
- (c) In case of any dispute as to voting the Chairman shall determine the same, and such determination shall be final and conclusive.
- ~~71-79.~~ Subject to the provisions of the Ordinance, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. A written notice of confirmation of such resolution in writing signed by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents each signed by or on behalf of one or more members.

VOTES OF MEMBERS

- ~~72-80.~~ Subject to the provisions of the Ordinance, Article ~~7684~~, Article ~~8392~~ and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under section 606 of the Ordinance at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.
- ~~73-81.~~ Any person entitled under Article 47 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.
- ~~74-82.~~ On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- ~~75-83.~~ A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis or other person in the nature of a committee or curator bonis appointed by that court, and any such committee, curator bonis or other person may on a poll, vote by proxy. If any member be a minor he may vote by his guardian or one of his guardians who may give their votes personally or by proxy.
- ~~76-84.~~ Where a member is, under the HKSE Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

PROXIES

- ~~77-85.~~ (a) A proxy need not be a member of the Company.
- (b) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may accept, and shall be deemed, subject to the provision hereinafter contained, to confer authority upon the proxy to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit.

Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member according to his intention to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business and shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

~~78-86.~~ The instrument appointing a proxy shall be signed by the appointor, or his duly authorised attorney, or if such appointor be a corporation, under its common seal or signed by some officer, attorney or other person duly authorised in that behalf.

~~87.~~ The Company may from time to time, at its absolute discretion, designate an electronic address for the receipt of any document or information relating to proxies for a general meeting (including any instrument of proxy or invitation to appoint a proxy, any document necessary to show the validity of, or otherwise relating to, an appointment of proxy (whether or not required under these Articles) and notice of termination of the authority of a proxy). If such an electronic address is provided, the Company shall be deemed to have agreed that any such document or information (relating to proxies as aforesaid) may be sent by electronic means to that address, subject as hereafter provided and subject to any other limitations or conditions specified by the Company when providing the address. Without limitation, the Company may from time to time determine that any such electronic address may be used generally for such matters or specifically for particular meetings or purposes and, if so, the Company may provide different electronic addresses for different purposes. The Company may also impose any conditions on the transmission of and its receipt of such electronic communications including, for the avoidance of doubt, imposing any security or encryption arrangements as may be specified by the Company. If any document or information required to be sent to the Company is sent to the Company by electronic means under this Article, such document or information is not treated as validly delivered to or deposited with the Company if the same is not received by the Company at its designated electronic address in accordance with this Article or if no electronic address is so designated by the Company for the receipt of such document or information.

~~79-88.~~ The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office or received at the electronic address specified by the Company in accordance with Article 87 at least forty-eight hours before the time fixed for holding the meeting at which the person named in such instrument proposes to attend and vote or, in the case of a poll, at least twenty-four hours before the time appointed for the taking of the poll; otherwise the person so named shall not be entitled to vote at that meeting (or as the case may be) except with the approval of the Chairman of the meeting. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

~~80-89.~~ Any member may by power of attorney appoint any person to be his attorney for the purpose of attending and voting at any meeting, and such power may be a special power limited to any particular meeting or a general power extending to all meetings at which such member is entitled to vote. Every such power shall be deposited at the Office or received at the electronic address specified by the Company in accordance with Article 87 at least forty-eight hours before the time fixed for holding the meeting at which such attorney proposes to attend and vote or, in the case of a poll, at least twenty-four hours before the time appointed for the taking of the poll; otherwise the attorney shall not be entitled to vote at that meeting (or as the case may be) except with the approval of the Chairman of the meeting.

- 81-90. (a) An instrument of proxy may be revoked by forwarding to the Office or depositing at the electronic address specified by the Company in accordance with Article 87 written notification of such revocation signed by or on behalf of the person who issued or authorised the issue of the instrument of proxy.
- (b) A vote given in accordance with the terms of an instrument of proxy or power of attorney or by the duly authorised representative of a corporation shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or power of attorney or other authority, or transfer of the shares in respect of which the proxy is given, provided no intimation in writing of the death, insanity, revocation or transfer shall have been received at the Office or the electronic address specified by the Company in accordance with Article 87 at least twenty-four hours before the time fixed for holding the meeting, or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

82-91. Any corporation which is a member of the Company may, by resolution of its Directors or other governing body or by power of attorney, authorise such persons as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. References in these Articles to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented at the meeting by such duly authorised representative.

83-92. Without prejudice to the generality of the provisions of the Ordinance and Article ~~82~~91 if a Clearing House (or its nominee) is a member of the Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its proxy and proxies or representative or representatives at any meeting of the Company or at any meeting of any class of member of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provisions of this Article shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise if it were an individual member of the Company.

DIRECTORS

84-93. Unless and until otherwise determined by an ordinary resolution of the Company, the Directors shall be not fewer than two in number, and there shall be no maximum number of Directors.

85-94. The Company shall keep in accordance with the Ordinance a register containing the names and addresses and occupations of its Directors and shall from time to time notify to the Registrar of Companies any change that takes place in such Directors as required by the Ordinance.

86-95. A Director need not hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

DIRECTORS' REMUNERATION

87-96. (a) The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by resolution by which it is voted) is to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company in the case of sums paid in respect of directors' fees.

- (b) The Directors shall also be entitled to be repaid their reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or on the discharge of their duties as directors.

~~88,97.~~ The Directors may award special remuneration out of the funds of the Company (by way of salary, commission or otherwise as the Directors may determine) to any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director.

POWERS OF DIRECTORS

~~89,98.~~ The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Hong Kong or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents for the Company, and may fix their remuneration, and may delegate (with or without power to sub-delegate as the Directors shall determine) to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

~~90,99.~~ The Directors may from time to time and at any time by power of attorney or other instrument appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other instrument may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub delegate all or any of the powers, authorities and discretions vested in him. The Company may, by writing under its seal, empower any person, either generally or in respect of any specified matter, as its attorney to execute deeds and instruments on its behalf and to enter into contracts and sign the same on its behalf and every deed signed by such attorney on behalf of the Company and under his seal shall bind the Company and have the same effect as if it were executed by or under the seal of the Company.

~~91,100.~~ Subject to and to the extent permitted by the Ordinance, the Company or the Directors on behalf of the Company, may cause to be kept in any territory a Branch Register of members resident in such territory, and the Directors may make and vary such regulations as they may think fit respecting the keeping of any such Branch Register.

~~92,101.~~ All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine. The Company's bank accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

- 93-102. (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Debentures, debenture stocks, bonds and other securities of the Company may be made assignable free from any equities between the Company and the person to which the same may be issued, and may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
- (b) The Directors shall cause a proper register to be kept, in accordance with the provisions of the Ordinance, of all mortgages and charges affecting the property of the Company and shall duly comply with the requirements of the Ordinance in regard to the registration of mortgages and charges therein specified and otherwise. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the members or otherwise, to obtain priority over such prior charge.

94-103. The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the wives, widows, families and dependents of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

APPOINTMENT AND REMOVAL OF DIRECTORS

95-104. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices.

96-105. If at any general meeting at which an election of Directors ought to occur the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be re-elected by way of separate resolutions voted on individually and shall, if willing, continue in office until the next annual general meeting and so on from year to year until their places are filled, unless:-

- (i) it shall be determined at such meeting to reduce the number of Directors;
- (ii) it is expressly resolved at such meeting not to fill up such vacated offices;
- (iii) in any such case the resolution for re-election of a Director is put to the meeting and lost; or
- (iv) such Director has given notice in writing to the Company that he is not willing to be re-elected.

97-106. The Company may, from time to time, by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

- ~~98~~.107. The Company may by ordinary resolution remove any Director notwithstanding anything in these Articles or in any agreement between him and the Company (but without prejudice to any right to damages for termination of such agreement not in accordance with the terms thereof), and may, if thought fit, by ordinary resolution appoint another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.
- ~~99~~.108. The Directors shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time (if any) by the shareholders in general meeting and any directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.
- ~~100~~.109. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose. If there shall be no Directors able or willing to act, then any two members may summon a general meeting for the purpose of appointing Directors.
- ~~101~~.110. No person other than a retiring Director shall, unless recommended by the Board for re-election, be eligible for election to the office of Director at any annual general meeting unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected, shall have been lodged at the office or principal office of the Company during a period of not less than seven days commencing no earlier than the despatch of the notice of the annual general meeting and at least seven days before the date of the annual general meeting.

ALTERNATE DIRECTORS

- ~~102~~.111. Each Director may by written notification to the Company nominate any other person to act as alternate Director in his place and at his discretion in similar manner remove such alternate Director. If such person is not another Director, such appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved. The alternate Director shall (except as regards the power to appoint an alternate) be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company; and each alternate Director, whilst acting as such, shall exercise and discharge all the functions, powers and duties of the Director he represents, but shall look to such Director solely for his remuneration as alternate Director. Every person acting as an alternate Director shall (except when absent from Hong Kong) be entitled to receive notices of meetings of the Board and shall have one vote for each Director for whom he acts as alternate at any such meeting at which the Director appointing him is not personally present (in addition to his own vote if he is also a Director). The signature of an alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor. Any Director of the Company who is appointed an alternate director shall be considered as two Directors for the purpose of making a quorum of Directors. Any person appointed as an alternate Director shall vacate his office as such alternate Director if and when the Director by whom he has been appointed removes him or vacates office as Director. A Director shall not be liable for the acts or defaults of any alternate Director appointed by him. To such extent as the Board may from time to time determine in relation to any committee of the Board, the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any committee of which his appointor is a member. An alternate Director shall not, save as aforesaid, have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Articles.

DISQUALIFICATION OF DIRECTORS

~~103~~.112. The office of a Director shall ipso facto be vacated:-

- (a) if he becomes prohibited by law or court order from being a Director;
- (b) if a receiving order or in the case of a company a winding-up order is made against him or he makes any arrangement or composition with his creditors;
- (c) if he becomes of unsound mind;
- (d) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (e) if he shall be removed from office by notice in writing served upon him signed by all his co-directors;
- (f) if he resigns his office;
- (g) if he is removed by a special resolution of the Company; or (h) if he is convicted of an indictable offence.

DIRECTORS' INTERESTS

~~104~~.113. If a Director (or an entity connected with a Director) is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with the Company, such Director shall declare the nature and extent of his interest in accordance with the provisions of the Ordinance. A general notice given to the Directors by a Director to the effect that he is a member or a director of a specified company or firm, and is to be regarded as interested in any contract, transaction, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall, for the purpose of this Article, be deemed to be a sufficient disclosure of interest in relation to any contract, transaction, arrangement or dealing so entered into or made.

~~105~~.114. Subject to section 534 of the Ordinance, a Director may hold any other office or place of profit under the Company (other than the office of Auditor), and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article. No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any contract, transaction or arrangement entered into by or on behalf of the Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits realised by any such contract, transaction or arrangement by reason only of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall disclose the nature and extent of his interest in any contract, transaction or arrangement in which he is interested at the meeting of the board at which the question of entering into the contract, transaction or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

~~106~~.115. A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or transaction or arrangement or proposal in which he or any of his Associates, is to his knowledge, materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters, namely:-

- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associates has himself or themselves assumed responsibility or guaranteed or secured in whole or in part whether alone or jointly;
- (iii) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Associates are or are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his Associates are interested whether directly or indirectly as an officer or a shareholder or in which the Director or his Associates are beneficially interested in shares of that company other than a company in which the Director and any of his Associates are beneficially interested in 5 per cent. or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his Associates is derived) or of the voting rights (excluding for the purpose of calculating such 5 per cent. interest any indirect interest of such Director or his Associates by virtue of an interest of the Company in such company);
- (vi) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his Associates and employees of the Company or of any of its subsidiaries and does not give the Director or his Associates any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- (vii) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his Associates may benefit.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman as known to such eChairman has not been fairly disclosed to the Board.

~~407-116.~~ A Director may continue to be or become a director, managing director, joint managing director, executive director or manager or other officer or member of any other company in which the Company is interested, and (unless otherwise agreed) shall not be liable to account to the Company for any remuneration or other benefits received by him as a director, managing director, joint managing director, executive director, manager or other officer or member of any such other company. The Board may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by it as directors of such other company in such manner as in all respects as the Board thinks fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) and any director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or be about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid. A Director of the Company may be or become a director of any company promoted by the Company or in which it may be interested as a vendor, shareholder or otherwise and no such Director will be accountable for any benefits received as a director or member of such company. A Director of the Company or his firm may not act as auditor of the Company.

CHIEF EXECUTIVE OFFICERS AND OTHER APPOINTMENTS

~~408-117.~~ Subject to section 534 of the Ordinance, the Directors may, from time to time, appoint one or more of their number to be Chief Executive Officer or Joint Chief Executive Officer of the Company, or to hold such office in the management, administration or conduct of the business of the Company as they may decide, and for such period and upon such terms and for such remuneration as the Directors shall think fit, and the Directors may also, from time to time (subject to the provisions of any agreement between him or them and the Company) remove him or them from office, and appoint another or others in his or their place or places.

~~409-118.~~ A Chief Executive Officer or a Joint Chief Executive Officer (subject to the provisions of any agreement between him and the Company) shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and shall ipso facto and immediately cease to be Chief Executive Officer or Joint Chief Executive Officer if he shall cease to hold the office of Director.

~~410-119.~~ The Directors may, from time to time, entrust to and confer upon any Chief Executive Officer, Joint Chief Executive Officer or Director, holding any other office in the management, administration or conduct of the business of the Company, such of the powers exercisable under these Articles by the Directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they may consider expedient, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF DIRECTORS

~~411-120.~~ The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined by the Board, two Directors shall constitute a quorum. For the purpose of this Article an alternate Director shall be counted in a quorum but, notwithstanding that an alternate Director is also a Director or is an alternate for more than one Director, he shall for quorum purposes count as only one Director. Matters arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote. A Director or the Secretary may, at any time, summon a meeting of the Directors. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

~~412-121.~~ Notice of a meeting of Directors shall be deemed to be duly given to a Director if it is given to him personally, in writing or by word of mouth, or sent to him at his last known address or any other address given by him to the Company for this purpose provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong. A Director may consent to short notice of and may waive notice of any meeting and any such waiver may be retrospective.

- ~~113.122.~~ The Directors may elect a Chairman of the Board and determine the period for which he is to hold office; but if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting.
- ~~114.123.~~ A resolution in writing signed by all the Directors except such as are absent from Hong Kong or temporarily unable to act through ill health or disability (or their alternate Directors) shall (so long as they constitute a quorum) be as effective for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted. A written notification of confirmation of such resolution in writing signed by a Director shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents, each signed by one or more Directors.
- ~~115.124.~~ A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board generally.
- ~~116.125.~~ The Directors may, from time to time, appoint committees consisting of such one or more persons as they think fit, and may delegate any of their powers to any such committee and, from time to time, revoke any such delegation and discharge any such committee wholly or in part. Any committee so appointed shall, in the exercise of the powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Directors. All acts done by any such committee in conformity with such regulations and in fulfilment of the purposes for which it is appointed, but not otherwise, shall have the like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any special committee, and charge such remuneration to the current expenses of the Company.
- ~~117.126.~~ The meetings and proceedings of any such committee consisting of two or more members shall be governed mutatis mutandis by the provisions of these Articles regulating the meetings and proceedings of the Directors, insofar as the same are not superseded by any regulations made by the Directors under the last preceding Article.
- ~~118.127.~~ All acts done bona fide by any meeting of the Directors or of a committee of Directors, or by any persons acting as Directors, shall, notwithstanding that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, or had vacated office, be as valid as if every such person had been duly appointed and was qualified and continued to be a Director.

MINUTES

- ~~119.128.~~ The Directors shall cause to be entered and kept in books provided for the purpose minutes of the following:-
- (a) all appointments of officers;
 - (b) all the names of the Directors and any alternate Director who is not also a Director present at each meeting of the Directors and of any committee; and
 - (c) all resolutions and proceedings of general meetings and of meetings of the Directors and committees.
- Any such minutes of any meeting of the Directors, or of any committee, or of the Company, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting shall be receivable as evidence of the proceedings of such meeting.

THE SEAL

- ~~120~~.129. The Directors shall procure a common seal to be made for the Company, and shall provide for the safe custody thereof. The Seal shall not be affixed to any instrument except by the authority of the Directors or a committee authorised by the Board in that behalf, and every instrument to which the Seal shall be affixed shall be signed by one Director or some other person nominated by the Directors for the purpose, provided that the Board may either generally or in any particular case or cases resolve (subject to such restrictions as to the manner in which the seal may be affixed as the Board may determine) that such signature may be affixed to certificates for shares or debentures or representing any other form of security by some mechanical means other than autographic to be specified in such resolution or that such certificates need not be signed by any person. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Directors previously given.
- ~~121~~.130. The Company may have an official seal for use for sealing certificates for shares or other securities issued by the Company as permitted by section 126 of the Ordinance (and no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document to which such official seal or a mechanical reproduction of the impression of such official seal is affixed and such certificates or other document shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction of such signature as aforesaid) and an official seal for use abroad under the provisions of the Ordinance where and as the Board shall determine, and the Company may by writing under the seal appoint any agents or agent, committees or committee abroad to be the duly authorised agents of the Company for the purpose of affixing and using such official seal and may impose such restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the seal, the reference shall, when and so far as may be applicable, be deemed to include any such official seal as aforesaid.
- ~~122~~.131. The Company may exercise all the powers of having official seals conferred by the Ordinance and such powers shall be vested in the Directors.

SECRETARY

- ~~123~~.132. The Directors shall appoint such person, persons or entities to be Secretary or Joint Secretaries of the Company for such period, at such remuneration and upon such conditions as they may think fit, and any Secretary or Joint Secretaries so appointed may be removed by them. Anything by the Ordinance or these Articles required or authorised to be done by or to the Secretary or Joint Secretaries, if the office is vacant or there is for any other reason no person capable of acting in the capacity as Secretary or Joint Secretaries, may be done by or to any assistant or deputy Secretary, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specially in that behalf by the Board.

DIVIDENDS AND RESERVES

- ~~124~~.133. The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.
- ~~125~~.134. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.
- ~~126~~.135. The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts and liabilities in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.
- ~~127~~.136. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall mutatis mutandis apply to capitalisations to be effected in pursuance of these Articles.

~~128.137.~~ Any general meeting sanctioning a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call shall be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the member, be set off against the call.

- ~~129.138.~~ (a) In respect of any dividend which the Board has resolved to pay or any dividend declared or sanctioned or proposed to be declared or sanctioned by the Board or by the Company in general meeting, the Board may determine and announce, prior to or contemporaneously with the announcement, declaration or sanction of the dividend in question:-
- either
- (i) that shareholders entitled thereto will receive in lieu of such dividend (or such part thereof as the Board may think fit) an allotment of shares credited as fully paid provided that the shareholders are at the same time accorded the right to elect to receive such dividend (or part thereof as the case may be) in cash in lieu of such allotment. In such case, the following provisions shall apply:-
 - (A) the basis of any such allotment shall be determined by the Board;
 - (B) the Board, after determining the basis of allotment and notwithstanding that the number of shares to be allotted may not be calculated until after notice to the shareholders has been given as required by the provisions of this sub-paragraph and subject to the provisions of sub-paragraph (D) below, shall give notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective which shall be not less than two weeks from the date on which the notice above referred to was despatched to the shareholders;
 - (C) the right of election accorded to shareholders as aforesaid may be exercised in whole or in part;
 - (D) the Board may resolve:-
 - (I) that the right of election accorded to shareholders as aforesaid may be exercised so as to take effect on all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (i) of this paragraph (a); and/or
 - (II) that a shareholder who does not exercise the right of election accorded to him as aforesaid either in whole or in part may notify the Company that he will not exercise the right of election accorded to him in respect of all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (i) of this paragraph (a) of this Article.

Provided that a shareholder may exercise such election or give such notice in respect of all but not some of the shares held by him and may at any time give seven days notice in writing to the Company of the revocation of such an election or such a notice which revocation shall take effect at the expiry of such seven days, and until such revocation has taken effect, the Board shall not be obligated to give to such shareholder notice of the right of election accorded to him or send to him any form of election;

- (E) the dividend (or that part of the dividend in lieu of which an allotment of shares is to be made as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised (the “Non-Elected Shares”) and in lieu thereof shares shall be allotted credited as fully paid to the holders of the Non-Elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of the amount standing to the credit of share capital account or out of any part of the undivided profits of the Company as the Board may determine, a sum equal to the value of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Non-Elected Shares on such basis;

or

- (ii) that shareholders entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:-
 - (A) the basis of any such allotment shall be determined by the Board;
 - (B) the Board, after determining the basis of allotment and notwithstanding that the number of shares to be allotted may not be calculated until after notice to the shareholders has been given as required by the provisions of this sub-paragraph and subject to the provisions of sub-paragraph (D) below, shall give notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective which shall be not less than two weeks from the date on which the notice above referred to was despatched to the shareholders;
 - (C) the right of election accorded to shareholders as aforesaid may be exercised in whole or in part;
 - (D) the Board may resolve:-
 - (I) that the right of election accorded to shareholders as aforesaid may be exercised so as to take effect on all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (ii) of this paragraph (a); and/or
 - (II) that a shareholder who does not exercise the right of election accorded to him as aforesaid either in whole or in part may notify the Company that he will not exercise the right of election accorded to him in respect of all future occasions (if any) when the Board makes determination pursuant to sub-paragraph (ii) of paragraph (a).

Provided that a shareholder may exercise such election or give such notice in respect of all but not some of the shares held by him and may at any time give seven days notice in writing to the Company of the revocation of such an election or such a notice which revocation shall take effect at the expiry of such seven days, and until such revocation has taken effect, the Board shall not be obliged to give to such member notice of the right of election accorded to him or send to him any form of election;

- (E) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised (the “Elected Shares”) and in lieu thereof shares shall be allotted credited as fully paid to the holders of the Elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of the amount standing to the credit of share capital account or out of any part of the undivided profits of the Company as the Board may determine, a sum equal to the value of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Elected Shares on such basis.
- (b) The shares allotted pursuant to the provisions of paragraph (a) of this Article shall rank *pari passu* in all respects with the fully paid shares then in issue save only as regards participation:-
 - (i) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
 - (ii) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (i) or (ii) of paragraph (a) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (a) of this Article shall rank for participation in such distribution, bonus or rights.
- (c) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (a) of this Article with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the members concerned). The Board may authorise any person to enter into on behalf of all members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (d) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (a) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shares to elect such dividend in cash in lieu of such allotment.
- (e) The Board may on any occasion when it makes a determination pursuant to paragraph (a) of this Article, resolve that no allotment of shares or rights of election for shares to be issued pursuant to such determination shall be made available or made to any shareholders with registered addresses in any particular territory or territories or to a Depository where the allotment of shares or the circulation of an offer of such rights of election would or might, in the opinion of the Board, be unlawful or would or might, in the opinion of the Board, be unlawful in the absence of a registration statement or other special formalities, and in such event the provision aforesaid shall be read and construed subject to such resolution and the only entitlement of shareholders in any such territory or territories shall be to receive in cash the relevant dividend resolved to be paid or declared. “Depository” means a custodian or other person (or a nominee for such custodian or other person) appointed under contractual arrangements with the Company or other arrangements approved by the Board whereby such custodian or other person or nominee holds or is interested in shares of the Company or rights or interests in shares of the Company and issues securities or other documents of title or otherwise evidencing the entitlement of the holder thereof to or to receive such shares, rights or interests, provided and to the extent that such arrangements have been approved by the Board for the purpose of these Articles and shall include, where approved by the Board, the trustees (acting in their capacity as such) of any employees’ share scheme established by the Company or any other scheme or arrangements principally for the benefit of employees of the Company and/or its subsidiaries which have been approved by the Board.

- (f) The Board may at any time resolve to cancel all (but not some only) of the elections made and the notices given by the shareholders pursuant to sub-paragraphs (i)(D) and (ii)(D) of paragraph (a) of this Article by giving seven days notice in writing to the relevant shareholders.
- (g) The Board may on any occasion determine that rights of election under paragraph (a) of this Article shall not be made available to shareholders who are registered in the register of shareholders, or in respect of shares the transfer of which is registered, after a date fixed by the Board and in such event the provisions aforesaid shall be read and construed subject to such determination.

~~130,139.~~ No dividend shall be payable except out of the profits of the Company, and no dividend shall bear interest as against the Company.

~~134,140.~~ The Directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the Directors to be justified. If at any time the share capital of the Company is divided into different classes the Directors may resolve to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividend, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the payment is justified.

~~132,141.~~ All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, and all dividends unclaimed for six years after having become payable may be forfeited by the Directors and shall revert to the Company. The payment into a separate account of any monies payable in respect of a dividend shall not constitute the Company a trustee in respect thereof for any person.

~~133,142.~~ Unless otherwise directed any dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled, or, in the case of joint holders, to the registered address of that one whose name stands first on the Register in respect of the joint holding, or addressed to such person at such address as the holder or joint holders shall direct. The Company shall not be liable or responsible for any cheque or warrant lost in transmission nor for any dividend or other monies lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant. Payment of the cheque or warrant by the banker on whom it is drawn shall be a good discharge to the Company.

~~134,143.~~ The Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend any of the assets of the Company, and in particular any shares or securities of other companies to which the Company is entitled and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Ordinance and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend and such appointment shall be effective.

~~135.144.~~ Before recommending a dividend the Directors may set aside any part of the net profits of the Company, and may apply the same either by employing it in the business of the Company or by investing it in such manner as they shall think fit and the income arising from such net profits shall be treated as part of the profits of the Company. Such net profits may be applied for the purpose of maintaining the property of the Company, replacing wasting assets, meeting contingencies, forming an insurance fund, equalising dividends, paying special dividends, or for any other purpose for which the undivided profits of the Company may lawfully be used, and until the same shall be so applied it shall be deemed to remain undivided profit. The Directors may also carry forward as undivided profit any profit or balance of profit which they shall not think fit to recommend as dividend or to set aside.

AUTHENTICATION OF DOCUMENTS

~~136.145.~~ Any Director or the Secretary or other authorised officer of the Company shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies of extracts; and where any books, records, documents or accounts are elsewhere than at the Office, the local manager or such other officer of the Company having the custody thereof shall be deemed to be the authorised officer of the Company as aforesaid. A document purporting to be a copy of a resolution or an extract from the minutes of a meeting of the Company or of the Directors or any local board or committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

CAPITALISATION OF PROFITS

~~137.146.~~ The Company in general meeting may upon the recommendation of the Directors resolve to capitalise any part of the Company's undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to a dividend, and accordingly that such part be divided amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied as a capitalisation issue either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures or other securities of the Company to be allotted and distributed credited as fully paid to and amongst such members in the proportion aforesaid, or partly in one way and partly in the other:-

Provided that any amount standing to the credit of the share capital account may, for the purposes of this Article, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid-up shares.

~~138.147.~~ Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid-up shares, debentures or other securities and generally shall do all acts and things required to give effect thereto.

~~139.148.~~ For the purpose of giving effect to any resolution under Articles ~~134~~143 and ~~137~~146 hereof the Directors may settle any difficulty which may arise in regard to the distribution or capitalisation issue as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any members based upon the value so fixed or that fractions of such value as the Directors may determine may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the distribution or capitalisation issue as may seem expedient to the Directors. The provisions of the Ordinance in relation to the filing of contracts for allotment shall be observed, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the distribution or capitalisation issue, and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.

ACCOUNTS AND AUDITORS

- ~~140.149.~~ The Directors shall cause proper books of account to be kept with respect to:-
- (a) all sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place; and
 - (b) the assets and liabilities of the Company.
- Proper books shall not be deemed to be kept if there are not kept such books of accounts as are necessary to give a true and fair view of the transactions.
- ~~141.150.~~ The Directors shall from time to time, in accordance with the provisions of the Ordinance, cause to be prepared and to be laid before the Company in general meeting such statements of comprehensive income, statements of financial position, group accounts (if any) and reports as are required by the Ordinance.
- ~~142.151.~~ A copy of every statement of financial position (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' report and a copy of the Auditors' report, shall not less than twenty-one days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to all persons other than members or holders of debentures of the Company, being persons entitled to receive notices of general meetings of the Company:-
- Provided that this Article shall be subject to Article ~~144.153~~ and shall not require a copy of those documents to be sent to any person of whose address the Company is not aware, to more than one of the joint holders of any shares or debentures, nor to any person to whom the Company has duly sent a copy of a summary financial report (as defined in the Ordinance) in accordance with the provisions of the Ordinance and Article ~~143.152~~.
- ~~143.152.~~ Subject to Article ~~144.153~~, a copy of a summary financial report in the form and containing the contents as required by the Ordinance shall be sent by the Company in accordance with the provisions of the Ordinance to a person who has been offered and agreed, in accordance with the provisions of the Ordinance, to be sent a copy of such summary financial report.
- ~~144.153.~~ Where a person has, in accordance with the provisions of the Ordinance where applicable, consented to treat the publication or the making available of the relevant financial documents and/or the summary financial report (each as defined in the Ordinance) on a computer network or by such other means as discharging the Company's obligation under the Ordinance to send a copy of the relevant financial documents and/or the summary financial report (each as defined in the Ordinance), then the publication or the making available by the Company, in accordance with the provisions of the Ordinance where applicable, on such computer network or by such other means of the relevant financial documents or the summary financial report (each as defined in the Ordinance) shall, in relation to each consenting person, be deemed to discharge the Company's obligations under Article ~~142.151~~ and/or Article ~~143.152~~.
- ~~145.154.~~ Auditors shall be appointed and their duties regulated in the manner provided by the Ordinance. ~~146.155.~~ Subject as otherwise provided by the Ordinance the remuneration of the Auditors shall be fixed by the Company in general meeting provided always that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.

~~147.156.~~ Every statement of accounts audited by the Company's Auditors and presented by the Board at a general meeting shall after approval at such meeting be conclusive except as regards any error discovered therein within three months of the approval thereof. Whenever any such error is discovered within that period, it shall forthwith be corrected, and the statement of account amended in respect of the error shall be conclusive.

NOTICES

~~148.157.~~ Any notice, document or communication to be given or issued by or on behalf of the Company under these Articles (including any "corporate communication" within the meaning ascribed thereto in the HKSE Listing Rules) shall be in writing in any one or more languages ~~to the members, may be served by the Company upon any member either personally or by sending it by mail, postage prepaid, addressed to such member at his registered address, and, in any case where the registered address of a member is outside Hong Kong, by prepaid airmail, or may be delivered, sent or otherwise made available using electronic or other means to such member.~~ Any such notice, document or communication may or may not be in a transitory form and may be recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form (including a notice, document or communication in electronic form and/or one made available on a website) whether having physical substance or not. Any such notice, document or communication may be served, delivered, sent or supplied by the Company to another person by any of the following means to such extent permitted by the Ordinance, the HKSE Listing Rules and any applicable laws, rules and regulations:-

- (a) personally by hand, in hard copy form or in electronic form;
- (b) by sending or supplying it by mail, in hard copy form or in electronic form, in a properly prepaid envelope or wrapper addressed to a member at his registered address or to such address as that other person (whether or not he is a member) may provide for the purpose;
- (c) by sending or supplying it in electronic form by electronic means to that other person at such address as he may provide or be regarded as having provided for the purpose;
- (d) by making it available on the Company's website and/or the website of the Stock Exchange, giving access to such website to that other person and if required by the Ordinance, the HKSE Listing Rules and any applicable laws, rules and regulations, giving to such person a notification of the availability of such notice, document or communication (such notice of availability may be given by any of the means set out in this Article 157 other than by posting it on a website); or
- (e) by such other means as may be permitted under the Ordinance, the HKSE Listing Rules and any applicable laws, rules and regulations.

~~149.158.~~ Any notice, document or communication given or issued by or on behalf of the Company to another person as provided in Article 157 shall, to such extent permitted by the Ordinance, the HKSE Listing Rules and any applicable laws, rules and regulations:-

- (a) if sent or supplied by mail shall be deemed to have been served in the case where the member's registered address is in Hong Kong on the day following that on which the notice, document or communication is mailed in Hong Kong and in any other case on the fifth day after the day of mailing. In, and in proving such service it shall be sufficient to prove that the notice, document or communication was properly addressed and mailed, postage prepaid;
- (b) if sent or supplied by electronic means (other than by making it available on the Company's website and/or the website of the Stock Exchange), be deemed to have been served at the time when the notice, document or communication is sent or supplied;

- (c) if made available on the Company's website and/or the website of the Stock Exchange, be deemed to have been sent, supplied and served:-
- (i) in the case where a notification of the availability of such notice, document or communication is required by the Ordinance, the HKSE Listing Rules or any applicable laws, rules and regulations, at the time when such notification of availability is served; or
- (ii) in any other case, at the time when the notice, document or communication is first made available on that website; and
- (d) if sent or supplied by hand, be deemed to have been served at the time when the notice, document or communication is delivered.

~~150.~~159. Any person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which, previously to his name and address being entered in the Register, shall be duly given to the person from whom he derives his title to such share.

~~151.~~160. Any notice, document or communication delivered or sent by mail to, or left at the registered address of or made available using electronic or other means to any member, in pursuance of these Articles, shall, notwithstanding such member be then deceased or bankrupt, and whether or not the Company have notice of his decease or bankruptcy, be deemed of have been duly served in respect of any shares held by such member, whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these Articles be deemed a sufficient service of such notice, document or communication on his executors, administrators or assigns and all persons (if any) jointly interested with him in any such share.

~~152.~~161. Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid letter, envelope or wrapper, addressed to the Company or to such officer at the Office.

~~153.~~162. The signature to any notice or other document to be given by the Company may be written ~~or~~ printed or in the form of an electronic signature.

~~154.~~163. Subject to any special provisions contained in these Articles or in the Ordinance, all notices required to be given by advertisement shall be advertised in at least one daily Chinese and one daily English newspaper circulating in Hong Kong.

~~155.~~164. In reckoning the period for any notice given under these Articles, the day on which notice is served, or deemed to be served, and the day for which such notice is given shall be excluded.

WINDING UP

~~156.~~165. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. This Article is, however, subject to the rights of the holders of any shares which may be issued on special terms or conditions.

~~157.~~166. If the Company shall be wound up, the liquidator (whether voluntary or official) may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company or vest any part of the assets of the Company in trustees upon such trusts for the benefit of the members or any of them as the resolution shall provide. Any such resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing rights, but each member shall in that event have a right of dissent and other ancillary rights in the same manner as if such resolution were a special resolution passed pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

~~158-167.~~ In the event of a winding-up of the Company in Hong Kong, every member of the Company who is not for the time being in Hong Kong shall be bound, within fourteen days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong upon whom all summonses, notices, processes, orders and judgements in relation to or under the winding-up of the Company may be served and, in default of such nomination, the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertising in such English language daily newspaper circulating in Hong Kong as he shall deem appropriate or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register, and such notice shall be deemed to be served on the day on which the advertisement appears or the letter is posted.

INDEMNITY

~~159-168.~~ Subject to the provisions of the Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto and in particular and without prejudice to the generality of the foregoing every Director and other officer of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses which any such Director and other officer may incur or become liable for by reason of any contract entered into, or act or thing done by him or them as such Director and other officer, or in any way in the discharge of their or his duties, including travelling expenses; and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company, and have priority as between the members over all other claims. Any person who is a Director or other officer of the Company shall not be liable (except in consequence of his own dishonesty) for the acts, receipts, neglects or defaults of any other Director or other officer of the Company or for any losses or expenses incurred by the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects of the Company shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on their or his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto.

UNTRACEABLE SHAREHOLDERS

~~160-169.~~ Without prejudice to the rights of the Company, the Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

~~161-170.~~ The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:-

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of Association of the Company have remained uncashed;

- (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (iii) the Company has caused a notice to be published in accordance with section 164 of the Ordinance; and
- (iv) the Company has notified the stock exchange in the relevant territory of its intention to effect such sale.

For the purpose of the foregoing, 'relevant period' means the period commencing twelve years before the date of publication of the notice referred to in paragraph (iii) of this Article and ending at the expiry of the period referred to in that paragraph.

The manner, timing and terms of any sale of shares pursuant to this Article (including but not limited to the price or prices at which the same is made) shall be such as the Board determines, based upon advice from such bankers, brokers or other persons as the Board considers appropriate consulted by it for the purposes, to be reasonably practicable having regard to all the circumstances including the number of shares to be disposed of and the requirement that the disposal be made without delay and the Board shall not be liable to any person for any of the consequences of reliance on such advice.

~~162,171.~~

To give effect to any such sale pursuant to Article ~~161~~170 the Board may authorise any person to transfer the said shares and the instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and, upon receipt by the Company of such proceeds, it shall become indebted to the former shareholder by carrying all moneys in respect thereof to a separate account for an amount equal to such net proceeds. No trusts shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall include any additional shares which during the relevant period or during any period ending on the date when all the requirements of sub-paragraphs (i) to (iii) of Article ~~161~~170 have been satisfied have been issued in respect of those held at the beginning of such relevant period and shall be valid and effective notwithstanding that the shareholder holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

Names, Address and Descriptions of Subscribers

China Telecom (Hong Kong) Group Limited
(中國電信(香港)集團有限公司)
Hong Kong company no. 569288 of
16/F., Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai,
Hong Kong

CORPORATION

China Telecom Hong Kong (BVI) Limited
BVI I.B.C. company no. 244168, of
P.O. Box 957,
Offshore Incorporations Centre,
Road Town, Tortola,
British Virgin Islands

CORPORATION

For and on behalf of
CHINA TELECOM (HONG KONG) GROUP LIMITED
(中國電信(香港)集團有限公司)

(Sd.) Chen Zhaobin

Director

For and on behalf of
CHINA TELECOM HONG KONG (BVI) LIMITED

(Sd.) Chen Zhaobin

Dated the 29 day of August, 1997

WITNESS to the above signatures

Celia C.L. Lam (Sd. Celia Lam)
Solicitor
Hong Kong

Address:
14th Floor, Alexandra House
Chater Road
Central
Hong Kong

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

As of December 31, 2020, China Mobile Limited (the “**Company**”, “**we**” or “**our**”) had one class of securities registered under Section 12 of the Exchange Act of 1934, as amended (the “**Exchange Act**”), our ordinary shares. Our American depository shares (“**ADSs**”), each currently representing the right to receive five ordinary shares, are evidenced by American depository receipts (“**ADRs**”) and are available through an American depository receipt program established pursuant to a deposit agreement (the “**Deposit Agreement**”) dated as of October 23, 1997, as amended and restated as of July 5, 2000, and as further amended and restated as of May 30, 2006, among the Company, The Bank of New York (currently known as The Bank of New York Mellon) as depository (the “**Depository**”), and all owners and beneficial owners from time to time of ADRs issued thereunder.

Our ordinary shares are registered under Section 12(b) of the Exchange Act in connection with the listing of our ADSs on the New York Stock Exchange (but not for trading). Our ADSs are traded under the symbol “CHL” and exempt from registration under Section 12(b) of the Exchange Act pursuant to Rule 12a-8 thereunder. The following contains a description of the rights of (i) holders of our ordinary shares, and (ii) holders of our ADRs. Ordinary shares underlying the ADSs are held by the Depository and holders of ADRs will not be treated as holders of the ordinary shares.

Capital terms used but not defined herein shall have the meanings given to them in the 2020 Form 20-F and in the Deposit Agreement, which is an exhibit to our registration statement on Form F-6 filed with the SEC on June 1, 2015.

ORDINARY SHARES

*The following description of our ordinary shares is a summary and does not purport to be complete. It is subject to and qualified in its entirety by (i) our Articles of Association, which are incorporated by reference as an exhibit to our annual report on Form 20-F for the year ended December 31, 2020 (the “**2020 Form 20-F**”); and (2) Hong Kong laws and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).*

Preemptive Rights (Item 9.A.3 of Form 20-F)

Not applicable.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Our ordinary shares are listed on the Hong Kong Stock Exchange and, under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), do not have a par or nominal value. All of our ordinary shares are fully paid and certificates representing the ordinary shares are issued in registered form. As of December 31, 2020, the total number of our issued and outstanding ordinary shares was 20,475,482,897.

Shareholders' right to transfer our ordinary shares is generally not subject to any limitation provided under our Articles of Association. However, shareholders are required to comply with restrictions and procedural requirements set forth in the Listing Rules and the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the "SFO") with respect to transfer of shares.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Not applicable.

Other Rights (Item 9.A.7 of Form 20-F)

Not applicable.

Shareholder Rights (Item 10.B.3 of Form 20-F)

For dividend rights, voting rights, rights to share in the company's profits and right to share in any surplus in the event of liquidation, see "Item 10—Additional Information—B. Articles of Association— Rights Attaching to Ordinary Shares" of 2020 Form 20-F. Our directors do not have different voting rights when compared to other holders of shares in the same class. For qualification and retirement of our directors, see "Item 10—Additional Information—B. Articles of Association— Directors" of 2020 Form 20-F.

Our directors may from time to time make capital calls upon the shareholders in respect of all moneys unpaid on their shares but subject always to the terms of issue of such shares, and any such call may be made payable by instalments.

Our Articles of Association do not contain any redemption provisions, sinking fund provisions or provisions discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares. However, a shareholder obtaining or consolidating a controlling stake in the Company is potentially subject to, among other things, the mandatory general offer obligation under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code").

Changes to Shareholder Rights (Item 10.B.4 of Form 20-F)

See "Item 10—Additional Information—B. Articles of Association Rights—Attaching to Ordinary Shares—Modification of Rights" of 2020 Form 20-F.

Limitations on the Rights to Own Shares (Item 10.B.6 of Form 20-F)

There are no limitations on the right of non-resident or foreign owners to hold or vote the ordinary shares imposed by Hong Kong law or by our Articles of Association.

Change in Control (Item 10.B.7 of Form 20-F)

There is no provision in our Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporation restructuring involving the Company or any of its subsidiaries. However, a change in control of the Company is potentially subject to, among other things, the mandatory general offer obligation under the Takeovers Code.

Disclosure of Shareholding (Item 10.B.8 of Form 20-F)

There is no provision in our Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed, but directors, chief executives and substantial shareholders under the meaning of the SFO are required to disclose their ownership in accordance with the SFO through an online system operated by the Hong Kong Stock Exchange.

Differences in the law (Item 10.B.9 of Form 20-F)

Not applicable.

Changes in Capital (Item 10.B.10 of Form 20-F)

The requirements imposed by our Articles of Association governing changes in capital are generally not more stringent than is required by Hong Kong law.

DEBT SECURITIES (Item 12.A of Form 20-F)

Not applicable.

WARRANTS AND RIGHTS (Item 12.B of Form 20-F)

Not applicable.

OTHER SECURITIES (Item 12.C of Form 20-F)

Not applicable.

AMERICAN DEPOSITARY SHARES (Items 12.D.1 and 12.D.2 of Form 20-F)

The following description of our ADSs is a summary and does not purport to be complete. This summary is subject to and qualified in its entirety by reference to the Deposit Agreement, including the form of American Depositary Receipt. In the following description, references to “you” are to the person registered with the Depositary (as defined below).

General

The Depositary registers and delivers ADRs. Each ADR represents ownership interests in five shares (or the right to receive five shares) deposited with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), as custodian, in Hong Kong. Each ADR will also represent securities, cash or other property deposited with the Depositary but not distributed to ADR holders. The Depositary’s Office is located at 240 Greenwich Street, New York, New York 10286, USA. HSBC’s office is located at 17/F, HSBC Centre Tower 3, 1 Sham Mong Road, Kowloon, Hong Kong, China.

You may hold ADRs either directly or indirectly through your broker or other financial institution. If you hold ADRs directly, you are an ADR holder. This description assumes you hold your ADRs directly. If you hold the ADRs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because the Depositary will actually hold the shares underlying the ADRs, you must rely on it to exercise the rights of a shareholder. The obligations of the Depositary are set out in an agreement among us, the Depositary and you, as an ADR holder. The Deposit Agreement and the ADRs are governed by New York law.

Share Dividends and other Distributions

How will you receive dividends and other distributions on the shares?

The Depositary has agreed to pay to you the cash dividends or other distributions it receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADRs represent.

Cash. The Depositary will convert any cash dividend or other cash distribution we pay on the shares into US dollars, if it can do so on a reasonable basis and can transfer the US dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the Deposit Agreement allows the Depositary to distribute the Hong Kong dollars only to those ADR holders to whom it is possible to do so. It will hold the Hong Kong dollars it cannot convert for the account of the ADR holders who have not been paid. It will not invest the Hong Kong dollars and it will not be liable for any interest.

Before making a distribution, any withholding taxes that must be paid will be deducted. The Depositary will distribute only whole US dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the Depositary cannot convert the Hong Kong dollars, you may lose some or all of the value of the distribution.

Shares. The Depositary may (or shall upon our request) distribute new ADRs representing any shares we distribute as a dividend or free distribution, if we furnish it promptly with satisfactory evidence that it is legal to do so. The Depositary will only distribute whole ADRs. It will attempt to sell shares which would require it to issue a fractional ADR and distribute the net proceeds in the same way as it does with cash. If the Depositary does not distribute additional ADRs, each ADR will also represent the new shares.

Rights to Receive Additional Shares. If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the Depositary may (after consultation with us) make these rights available to you. We must first instruct the Depositary to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or give these instructions, and the Depositary decides it is practical to sell the rights, the Depositary will sell the rights and distribute the proceeds in the same way as it does with cash. The Depositary may allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the Depositary makes rights available to you, upon your instruction it will exercise the rights and purchase the shares on your behalf. The Depositary will then deposit the shares and issue ADRs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict the sale, deposit, cancellation, and transfer of the ADRs issued after exercise of rights. For example, you may not be able to trade the ADRs freely in the United States. In this case, the Depositary may issue the ADRs under a separate restricted deposit agreement which will contain the same provisions as the Deposit Agreement, except for changes needed to put the restrictions in place.

Other Distributions. The Depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the Depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADRs will also represent the newly distributed property.

The Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register ADRs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADRs, shares, rights or anything else to ADR holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Reports

The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, files certain reports with the Securities and Exchange Commission (hereinafter called the “**Commission**”). Such reports and communications will be available for inspection and copying at the public reference facilities maintained by the Commission located at 100 F Street, N.E., Washington, D.C. 20549.

The Depositary will make available for inspection by ADR holders at its Office copies of the Deposit Agreement and any reports and communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the owner of the deposited securities and (b) made generally available to the owners of such deposited securities by the Company. The Depositary will also send to ADR holders copies of such reports and communications when furnished by the Company pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

Deposit, Withdrawal and Cancellation

How does the Depositary issue ADRs?

The Depositary will issue ADRs if you or your broker deposit shares or evidence of rights to receive shares with HSBC. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will register the appropriate number of ADRs in the names you request and will deliver the ADRs at its Office to the persons you request.

How do ADR holders cancel an ADR and obtain shares?

You may turn in your ADRs at the Depositary's Office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will deliver (1) the underlying shares and (2) any other deposited securities underlying the ADR, to you or a person you designate at the office of HSBC. Or, at your request, risk and expense, the Depositary will deliver the deposited securities at its Office.

Voting Rights

How do you vote?

You may instruct the Depositary to vote the shares underlying your ADRs but only if we ask the Depositary to ask for your instructions. Otherwise, you won't be able to exercise your right to voting unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.

If we ask for your instructions, the Depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will:

- describe the matters to be voted on; and
- explain how you, on a certain date, may instruct the Depositary to vote the shares or other deposited securities underlying your ADRs as you direct.

For instructions to be valid, the Depositary must receive them on or before the date specified. The Depositary will try, as far as practical, subject to Hong Kong law and the provisions of our Articles of Association, to vote or to have its agents vote the shares or other deposited securities as you instruct. If the Depositary does not receive your valid instruction, it will deem that you have instructed the Depositary to give a discretionary proxy to a person designated by us to vote such deposited securities. In the case of any proposed action that would, pursuant to our Articles of Association, entitle the holders of shares to vote as a separate group and we notify the depositary in writing of that fact, if the Depositary does not receive instructions from you, the Depositary will not be deemed to have been instructed to grant a discretionary proxy and the Depositary will not vote or attempt to exercise the right to vote that attaches to the shares or other deposited securities.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADRs or on the deposited securities underlying your ADRs. The Depositary may refuse to transfer your ADRs or allow you to withdraw the deposited securities underlying your ADRs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADRs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADRs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:

- Change the nominal or par value of our shares
- Reclassify, split up or consolidate any of the deposited securities
- Distribute securities on the shares that are not distributed to you
- Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

Then:

- The cash, shares or other securities received by the Depositary will become deposited. Each ADR will automatically represent its equal share of the new deposited securities.
- The Depositary may, and will if we ask it to, distribute some or all of the cash, shares or other securities it received. It may also issue new ADRs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

How may the Deposit Agreement be amended?

We may agree with the Depositary to amend the Deposit Agreement and the ADRs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses of the Depositary, or prejudices a substantial right of ADR holders, it will only become effective 30 days after the Depositary notifies you of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADR, to agree to the amendment and to be bound by the ADRs and the Deposit Agreement as amended.

How may the Deposit Agreement be terminated?

The Depositary will terminate the Deposit Agreement if we ask it to do so. The Depositary may also terminate the Deposit Agreement if the Depositary has told us that it would like to resign and we have not appointed a new depositary bank within 120 days. In both cases, the Depositary must notify you at least 120 days before termination.

After termination, the Depositary and its agents will be required to do only the following under the Deposit Agreement:

- collect distributions on the deposited securities; and
- deliver shares and other deposited securities upon cancellation of ADRs.

One year after termination, the Depositary may, if practical, sell any remaining deposited securities by public or private sale. After that, the Depositary will hold the money it received on the sale, as well as any other cash it is holding under the Deposit Agreement for the pro rata benefit of the ADR holders that have not surrendered their ADRs. It will not invest the money and has no liability for interest. The Depositary's only obligations will be to account for the money and other cash and with respect to indemnification. After termination our only obligations will be with respect to indemnification and to pay certain amounts to the Depositary.

Inspection of Transfer Books

The Depositary will keep books, at its Office, for the registration of ADRs and transfers of ADRs which at all reasonable times shall be open for inspection by the ADR holders and the Company provided that such inspection shall not be for the purpose of communicating with ADR holders in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the ADRs.

Limitations on Obligations and Liability to ADS Holders

Limits on our obligations and the obligations of the Depositary; limits on liability to holders of ADRs

The Deposit Agreement expressly limits our obligations and the obligations of the Depositary. It also limits our liability and the liability of the Depositary. We and the Depositary:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our or its control from performing our or its obligations under the Deposit Agreement;

- are not liable if either of us exercises discretion permitted under the Deposit Agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the Deposit Agreement on your behalf or on behalf of any other party; and
- may rely upon any documents we or its believes in good faith to be genuine and to have been signed or presented by the proper party.

In the Deposit Agreement, we and the Depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the Depositary will issue or register transfer of an ADR, make a distribution on an ADR, or permit withdrawal of shares, the Depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the Deposit Agreement, including presentation of transfer documents.

The Depositary may refuse to deliver ADRs or register transfers of ADRs when the transfer books of the Depositary or our transfer books are closed or at any time if the Depositary or we think it advisable to do so.

Your right to receive the shares underlying your ADRs

You have the right to cancel your ADRs and withdraw the underlying shares at any time except:

- when temporary delays arise because we or the Depositary has closed its transfer books, the transfer of shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on the shares;
- when you or other ADR holders seeking to withdraw shares owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADRs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

2021 Communication Network Operating Assets Leasing Agreement

Between

China Mobile Limited

and

China Mobile Communications Group Co., Ltd.

Contents

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2021 Communication Network Operating Assets Leasing Agreement

This Agreement is entered into on January 8, 2021 between:

- (1) **China Mobile Limited**, a limited liability company incorporated and existing under the laws of Hong Kong, with its registered office at 60/F, the Center, 99 Queen's Road Central, Hong Kong (hereinafter referred to as "**Party A**"); and
- (2) **China Mobile Communications Group Co., Ltd.**, a wholly state-owned limited liability company incorporated and existing under the laws of China with its registered office at 29 Jinrong Avenue, Xicheng District, Beijing, China (hereinafter referred to as "**Party B**").

The above Party A and Party B are called hereinafter respectively as a "**Party**", and collectively as "**Parties**".

Whereas:

- (A) Party A is a company listed in the Stock Exchange of Hong Kong Limited and the New York Stock Exchange;
- (B) Party A directly or indirectly holds some wholly-owned or controlling subsidiaries engaging in basic and value-added telecommunications business in the People's Republic of China and overseas;
- (C) Party B is the indirect controlling shareholder of Party A who holds some wholly-owned subsidiaries in the People's Republic of China and overseas;
- (D) Party B and its related subsidiaries will continue building and from time to time purchase communication network operating assets required for operating its related business (collectively referred to as "**Network Assets**"). Such Network Assets include but not limited to access network, transmission network, equipment rooms, equipment and others. Party A and its subsidiaries intend to rent Network Assets from Party B and its related subsidiaries for operating related telecommunication services while Party B and its related subsidiaries also need to rent Network Assets from Party A and its subsidiaries.

After sufficient discussion, the Parties hereby reach the following agreement to clearly define the related arrangements for leasing of Network Assets:

1. Leasing of Network Assets

- 1.1 The Parties hereby agree to urge its related subsidiaries to lease the Network Assets for its business operations to the other Party in accordance with the terms and conditions hereunder. All operating revenue of both Parties and its subsidiaries, including but not limited to voice usage fees, monthly fees, interconnection fees, sales incomes of SIM cards and mobile handsets, and other incomes generated therefrom or in connection therewith, shall belong to the Parties.

In this Agreement, the Party and its related subsidiaries leasing the Network Assets are collectively referred to as the "**Lessor**" while the Party and its related subsidiaries renting the Network Assets are collectively referred to as the "**Lessee**".

1.2 The scope of the Network Assets shall be jointly determined by the Lessor and the Lessee. The Lessee may submit to the Lessor from time to time its plans for adding or adjusting the scope of the Network Assets according to its practical operational requirements. After such plans are confirmed by the Lessor, the scope of the Network Assets under this Agreement shall be adjusted accordingly.

2. The Leasing Fees

2.1 The Lessor and the Lessee agree and acknowledge that the leasing fees for the Network Assets (the “**Leasing Fees**”) per month (“**Settlement Period**”) shall be determined in accordance with the Network Assets leasing documents and confirmation sheets for the Settlement Period executed by the Lessor and the Lessee. The Leasing Fees shall be settled according to the prevailing market rates with the principle of fairness, but in any event shall not be more than the standard leasing fees charged to any third party for the same kinds of the Network Assets and no lower than its costs.

2.2 Both the Lessor and Lessee agree and acknowledge that, the Lessee shall pay the leasing fees for the Settlement Period to the account designated by the Lessor within 30 days upon the end of each Settlement Period, and send the statement worksheet and settlement vouchers to the Lessor. The Lessor will review the calculating procedure and results according to the documents submitted by the Lessee. In case of any error, with confirmation by both Parties, the Lessee shall make corresponding adjustments to the amount in the next Settlement Period.

3. Responsibilities and Obligations

3.1 for the Lessor

3.1.1 The Lessor shall deliver the Network Assets to the Lessee in time according to this Agreement.

3.1.2 The Lessor shall undertake that the Network Assets leased to the Lessee does not infringe the intellectual property and other legitimate interests of any third party, and there is not any interests of any third party existing in such assets that may restrict or impact its normal utilization by the Lessee, and that the normal utilization of such Network Assets by the Lessee shall not incur any expenses other than the Leasing Fees, including but not limited to any claim by any third party.

3.2 for the Lessee

3.2.1 The Lessee shall utilize the leased Network Assets in a reasonable manner according to its operational needs.

3.2.2 If any damages, malfunction or abnormality caused to the Lessor’s assets due to improper management, maintenance or use by the Lessee, the Lessee shall bear all the direct losses resulting from the assets damages and malfunction.

3.2.3 The Lessee shall credit the Leasing Fees for the Settlement Period to the account designated by the Lessor in full amount within 30 days upon the end of that Settlement Period, and submit the statement worksheet and related settlement voucher to the Lessor according to Article 2 of this Agreement. In case of any error, the Lessee shall make corresponding adjustment to the amount in the next Settlement Period according to Article 2.2 of this Agreement.

3.2.4 If the Lessee needs to add or adjust the scope of leased Network Assets per its operational requirements, a plan stating the scope of added or adjusted assets shall be submitted to the Lessor in advance and be implemented according to the terms and conditions under this Agreement after the plan is confirmed by the Lessor. The said plan shall cover the specific type, model and quantity of the assets involved in the added or adjusted Network Assets as well as the time and technical standards of the implementation of the plan.

4. Liabilities for Breach of Agreement

- 4.1 If the Lessor violates its undertakings in Article 3.1.2 under this Agreement and causes any losses to the Lessee arising from disputes between any third party and the Lessee, the Lessor shall be liable for all expenses and direct losses incurred by the Lessee for settling such disputes.
- 4.2 If the Lessee fails to credit the Leasing Fees to the account designated by the Lessor in time and in full amount according to Article 2 hereunder, a penalty of 0.01% of the outstanding amount shall be charged to the Lessee for every week so delayed. If the payment is delayed for less than one week, it shall be deemed as one week.
- 4.3 Except for the circumstances stated above, if any Party violates its obligations hereunder and causes any losses to the other Party, the violating Party shall take the full responsibility for compensating the other Party. If any Party incurred any losses due to its own violations, it shall bear such losses by itself.

5. Effectiveness and Terms of this Agreement

This Agreement shall be effective with the signatures of the legal representatives or their authorized representatives of both Parties duly affixed and official stamps or special stamps for contracts stamped on it, and when all necessary approvals are obtained according to related regulatory requirements (including but not limited to meeting or satisfying the regulatory requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) and valid from January 1, 2021 to December 31, 2021.

6. Non-disclosure

Except otherwise provided for or required by laws or regulatory authorities, no Party (including but not limited to its subsidiaries) shall provide or disclose any content of this Agreement or any other information relating to the operation of the other Party to any firm, company, organization or individual without any prior written consent (which shall not be retained or delayed without any reason) of the other Party.

7. Assignment

No Party shall assign all or any rights or obligations hereunder to any third party without prior written consent from the other Party.

8. Governing Law and Dispute Settlement

- 8.1 This Agreement shall be governed by and interpreted and implemented according to the Laws of China.
- 8.2 Any dispute between the Parties relating to the validity, interpretation or performance of this Agreement shall be settled through amicable consultation. Should the Parties fail to resolve the dispute within 30 days from the date of the occurrence of the dispute, then such dispute shall be submitted to Chinese International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with the then effective arbitration rules of that Commission. The arbitration award shall be final and binding on both Parties. Except for the matter of dispute that is submitted for arbitration, all the remaining parts of this Agreement shall remain valid and effective and shall continue to be performed by both Parties during the arbitration.

9. Miscellaneous

- 9.1 This Agreement can be amended or supplemented after consultation with the Parties. All amendments or supplements to this Agreement shall come into effect only after they have been duly executed by the legal representatives or the authorized representatives of both Parties and affixed with official stamps or special stamps for contract, with all necessary approvals obtained according to relevant regulatory requirements (including but not limited to meeting or satisfying the regulatory requirements set out in the Hong Kong Listing Rules). Amendments or supplements to this Agreement are of the same effect with this Agreement.
- 9.2 This Agreement is severable. Any provisions hereunder being held ineffective, unlawful or unenforceable shall not affect the validity and enforceability of other provisions under this Agreement.
- 9.3 This Agreement may be executed separately by both Parties in several counterparts. All counterparts executed separately together constitute a valid agreement. If this Agreement is executed in counterparts, it shall be deemed as executed after successful delivery of executed counterparts by the Parties via facsimile.
- 9.4 This Agreement is written in Chinese and executed in four (4) original copies, two of which are held by each Party. Each original copy has equal legal effect.

China Mobile Limited

Legal representative or its authorized representative (signature): s/HUANG Jie

(Stamp)

China Mobile Communications Group Co., Ltd.

Legal representative or its authorized representative (signature): s/GAO Songge

(Stamp)

LIST OF MAJOR SUBSIDIARIES
(as of December 31, 2020)

<u>NAME OF ENTITY AND BUSINESS NAME (IF DIFFERENT)</u>	<u>JURISDICTION OF INCORPORATION</u>
China Mobile Communication (BVI) Limited	British Virgin Islands
China Mobile Communication Co., Ltd.	China
China Mobile E-Commerce Co., Ltd.	China
China Mobile Group Guangdong Co., Ltd.	China
China Mobile Group Zhejiang Co., Ltd.	China
China Mobile Group Jiangsu Co., Ltd.	China
China Mobile Group Fujian Co., Ltd.	China
China Mobile Group Henan Co., Ltd.	China
China Mobile Group Hainan Co., Ltd.	China
China Mobile Group Beijing Co., Ltd.	China
China Mobile Group Shanghai Co., Ltd.	China
China Mobile Group Tianjin Co., Ltd.	China
China Mobile Group Hebei Co., Ltd.	China
China Mobile Group Liaoning Co., Ltd.	China
China Mobile Group Shandong Co., Ltd.	China
China Mobile Group Guangxi Co., Ltd.	China
China Mobile Group Anhui Co., Ltd.	China
China Mobile Group Jiangxi Co., Ltd.	China
China Mobile Group Chongqing Co., Ltd.	China
China Mobile Group Sichuan Co., Ltd.	China
China Mobile Group Hubei Co., Ltd.	China
China Mobile Group Hunan Co., Ltd.	China
China Mobile Group Shaanxi Co., Ltd.	China
China Mobile Group Shanxi Co., Ltd.	China
China Mobile Group Neimenggu Co., Ltd.	China
China Mobile Group Jilin Co., Ltd.	China
China Mobile Group Heilongjiang Co., Ltd.	China
China Mobile Group Guizhou Co., Ltd.	China
China Mobile Group Yunnan Co., Ltd.	China
China Mobile Group Xizang Co., Ltd.	China

China Mobile Group Gansu Co., Ltd.	China
China Mobile Group Qinghai Co., Ltd.	China
China Mobile Group Ningxia Co., Ltd.	China
China Mobile Group Xinjiang Co., Ltd.	China
China Mobile Group Design Institute Co., Ltd.	China
China Mobile Holding Company Limited	China
China Mobile Information Technology Company Limited	China
Aspire Holdings Limited	Cayman Islands
Aspire (BVI) Limited	British Virgin Islands
Aspire Technologies (Shenzhen) Limited	China
Aspire Information Network (Shenzhen) Limited	China
Aspire Information Technologies (Beijing) Limited	China
Fujian FUNO Mobile Communication Technology Company Limited	China
Advanced Roaming & Clearing House Limited	British Virgin Islands
Fit Best Limited	British Virgin Islands
China Mobile Hong Kong Company Limited	Hong Kong
China Mobile International Holdings Limited	Hong Kong
China Mobile International Limited	Hong Kong
China Mobile Group Device Company Limited	China
China Mobile Group Finance Co., Ltd.	China
China Mobile IoT Company Limited	China
China Mobile (Suzhou) Software Technology Co., Ltd.	China
China Mobile (Hangzhou) Information Technology Company Limited	China
China Mobile Online Services Co., Ltd.	China
China Mobile Internet Company Limited	China
China Mobile Tietong Company Limited	China
MIGU Co., Ltd.	China
China Mobile Investment Holdings Co., Ltd.	China
China Mobile System Integration Co., Ltd.	China
China Mobile Financial Technology Co., Ltd.	China
China Mobile (Chengdu) ICT Co., Ltd.	China
China Mobile (Shanghai) ICT Co., Ltd.	China
China Mobile Xiong'an ICT Co., Ltd.	China
Zhongyidong Information Technology Co., Ltd.	China

CERTIFICATION

I, DONG Xin, certify that:

1. I have reviewed this annual report on Form 20-F of China Mobile Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2021

/s/ DONG Xin

Name: DONG Xin

Title: Executive Director and Chief Executive Officer

CERTIFICATION

I, LI Ronghua, certify that:

1. I have reviewed this annual report on Form 20-F of China Mobile Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2021

/s/ LI Ronghua

Name: LI Ronghua

Title: Executive Director and Chief Financial Officer

CHINA MOBILE LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, DONG Xin, Executive Director and Chief Executive Officer of China Mobile Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2021

/s/ DONG Xin

Name: DONG Xin

Title: Executive Director and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

CHINA MOBILE LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, LI Ronghua, Executive Director and Chief Financial Officer of China Mobile Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2021

/s/ LI Ronghua

Name: LI Ronghua

Title: Executive Director and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

April 28, 2021

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We have read the statements made by China Mobile Limited (copy attached) pursuant to Item 16F of Form 20-F, which we understand will be filed with the Securities and Exchange Commission as part of the Form 20-F of China Mobile Limited dated April 28, 2021. We agree with the statements concerning our Firm contained therein, and we have no basis to agree or disagree with other statements contained therein.

Very truly yours,

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China