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

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**FORM 20-F**

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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, 2019

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

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**China Mobile Limited**

(Exact Name of Registrant as Specified in Its Charter)

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N/A

(Translation of Registrant's Name into English)

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**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  
Fax: (852) 2511-9092

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

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**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)

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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, 2019, 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 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 Mainland 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 expected impact of new service offerings on our business, financial condition and results of operations; and
- future developments in the telecommunications industry in Mainland 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.**

**Selected Financial Data**

The following tables present selected historical financial data of our company as of and for each of the years in the five-year period ended December 31, 2019. Except for amounts presented in U.S. dollars and per American depositary share, or ADS, data, the selected historical consolidated statement of comprehensive income data and other financial data for the years ended December 31, 2017, 2018 and 2019 and the selected historical consolidated balance sheet data as of December 31, 2018 and 2019 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the related notes, included elsewhere in this annual report on Form 20-F. The selected historical consolidated statement of comprehensive income data (other than ADS data) for the years ended December 31, 2015 and 2016 and the selected historical consolidated balance sheet data as of December 31, 2015, 2016 and 2017 set forth below should be read in conjunction with and are qualified in their entirety by reference to our audited consolidated financial statements that are included in our previous annual reports on Form 20-F. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRSs, as issued by the International Accounting Standards Board, or IASB.

We completed the acquisition of certain assets, businesses and related liabilities as well as their related employees in relation to the fixed-line telecommunications operations, or Target Assets and Businesses, of China Tietong Telecommunications Corporation, or China Tietong, in December 2015. See “Item 4. Information on the Company — Business Overview — Investments and Acquisitions.” Because we and Target Assets and Businesses were under common control of China Mobile Communications Group Co., Ltd. (formerly known as China Mobile Communications Corporation), or 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 the Accounting Guideline 5 “Merger Accounting for Common Control Combinations,” or AG 5, issued by the Hong Kong Institute of Certified Public Accountants, or 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 relevant periods presented.

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 RMB6.9618 = US\$1.00 and HK\$7.7894 = 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, 2019. 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.

The statistical information set forth in this annual report on Form 20-F relating to Mainland China is taken or derived from various publicly available government publications that were not prepared or independently verified by us. This statistical information may not be consistent with other statistical information from other sources within or outside Mainland China.

As of or for the year ended December 31,						
2015	2016	2017	2018	2019	2019	
RMB	RMB	RMB	RMB	RMB	US\$	
(in millions, except share, per share and per ADS information)						

**Consolidated Statement of Comprehensive Income Data:**

Operating revenue	668,335	708,421	740,514	736,819	745,917	107,144
Operating expenses	565,413	590,333	620,388	615,432	632,768	90,891
Profit from operations	102,922	118,088	120,126	121,387	113,149	16,253
Profit before taxation	143,734	144,462	148,137	153,895	142,133	20,416
Taxation	(35,079)	(35,623)	(33,723)	(35,944)	(35,342)	(5,077)
Profit for the year attributable to equity shareholders	108,539	108,741	114,279	117,781	106,641	15,318
Basic earnings per share <sup>(1)</sup>	5.30	5.31	5.58	5.75	5.21	0.75
Diluted earnings per share <sup>(1)</sup>	5.30	5.31	5.58	5.75	5.18	0.74
Basic earnings per ADS <sup>(1)</sup>	26.51	26.55	27.90	28.75	26.05	3.74
Diluted earnings per ADS <sup>(1)</sup>	26.50	26.55	27.90	28.75	25.90	3.72
Number of shares utilized in basic earnings per share calculation (in thousands)	20,473,119	20,475,483	20,475,483	20,475,483	20,475,483	20,475,483
Number of shares utilized in diluted earnings per share calculation (in thousands)	20,479,706	20,475,483	20,475,483	20,475,483	20,475,483	20,475,483

	As of or for the year ended December 31,					
	2015	2016	2017	2018	2019	2019
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions, except share, per share and per ADS information)					

#### Consolidated Balance Sheet Data:

Working capital <sup>(2)</sup>	(12,341)	50,256	28,214	60,718	67,799	9,739
Cash and cash equivalents	79,842	90,413	120,636	57,302	175,933	25,271
Bank deposits	323,330	335,297	279,371	291,887	130,799	18,788
Accounts receivable	17,743	19,045	24,153	26,540	32,694	4,696
Property, plant and equipment	585,631	622,356	648,029	666,496	674,832	96,934
Total assets	1,427,895	1,520,994	1,522,113	1,535,910	1,629,240	234,026
Bonds—current portion <sup>(3)</sup>	—	4,998	—	—	—	—
—non-current portion	4,995	—	—	—	—	—
Total liabilities	507,527	538,856	533,232	480,101	521,951	74,974
Share capital <sup>(4)</sup>	402,130	402,130	402,130	402,130	402,130	57,762
Shareholders' equity	917,336	979,021	985,636	1,052,405	1,103,773	158,547

#### Other Financial Data:

Payment for property, plant and equipment and land use rights <sup>(5)</sup>	(173,693)	(189,366)	(193,605)	(192,975)	(202,720)	(29,119)
Net cash generated from operating activities	235,089	253,701	245,514	206,151	247,591	35,564
Net cash used in investing activities	(142,743)	(194,523)	(106,533)	(212,231)	(64,206)	(9,223)
Net cash used in financing activities	(86,510)	(48,958)	(108,231)	(57,820)	(64,901)	(9,322)
Dividend declared	46,145	48,993	110,909	57,825	59,808	8,591
Dividend declared per share (RMB)	2.205	2.385	5.508	2.759	2.886	0.417
Dividend declared per share (HK\$)	2.721	2.732	6.405	3.217	3.250	0.417

- (1) The basic earnings per share have been computed by dividing profit attributable to our equity shareholders by the weighted average number of shares outstanding in 2015, 2016, 2017, 2018 and 2019. The diluted earnings per share have been computed after adjusting for the effects of all dilutive factors. In 2016, 2017 and 2018, there was no dilutive potential ordinary shares outstanding. Therefore, there was no dilution impact on the weighted average number of shares (diluted). The basic and diluted earnings per ADS amounts have been computed based on one ADS representing five ordinary shares.
- (2) Represents current assets minus current liabilities.
- (3) The current portion of the bonds as of December 31, 2016 was issued by China Mobile Group Guangdong Co., Ltd., or Guangdong Mobile, with a principal amount of RMB5,000 million. The bonds were unsecured and bore interest at the rate of 4.5% per annum which is payable annually. The bonds, redeemable at 100% of the principal amount, were fully repaid on October 28, 2017.
- (4) Under the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong), or the Companies Ordinance, which has been in effect since March 3, 2014, the concept of authorized share capital no longer exists and our shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of our shareholders as a result of this transition. In addition, in accordance with the transitional provisions set forth in Section 37 of Schedule 11 to the Companies Ordinance, any amount standing to the credit of the share premium account has become part of our share capital.
- (5) Represents payments made for property, plant and equipment and land use rights during the year and included in net cash used in investing activities.

#### 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 ordinary shares and ADSs.

## 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 Mainland China may reduce our market share and decrease our profit margin.*

We are facing increasing competition from other telecommunications services providers in Mainland China. Principal participants in the telecommunications industry in Mainland China include China Telecom Corporation Limited, or China Telecom, China Unicom (Hong Kong) Limited, or China Unicom, China Broadcasting Network Corporation Ltd., or China Broadcasting Network, 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. As a result, the year-on-year growth rate of our 4G customers decreased from 9.7% in 2018 to 6.4% in 2019. 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 CMCC, our parent company, the parent companies of China Telecom and China Unicom, and China Broadcasting Network 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 Mainland China. 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 Mainland 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, such as the anti-monopoly investigation in 2012 undertaken by the National Development and Reform Commission, or the NDRC, of other PRC telecommunication companies over certain pricing practices with respect to Internet dedicated leased line services provided by them to Internet service providers. 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 Mainland China. The intensified competition in new products and services arising from technological advances could reduce our tariff rates, 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, although currently we are rapidly expanding our wireline broadband services, we obtained permission to enter into the wireline broadband market later than the other two telecommunications operators, and we cannot assure you that our wireline broadband businesses may not be constrained by the first-mover advantages of our competitors or any other factors arising from the competition in the wireline broadband market.

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, 2019, 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 rates 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 Mainland 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 voice to data traffic operations, from mobile communication services to innovative full services, and from communication services to digital services. 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 particular, 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, which allow customers to switch mobile carriers while retaining their numbers, in Mainland China by the end of 2019.

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 continued to implement the “speed upgrade and tariff reduction” policy and launched more preferential tariff plans that reduced the broadband tariffs for small and medium enterprises by 39% and the tariffs for handset data by 47% in the aggregate. “Item 4. Information on the Company — Business Overview — Tariffs.”

Such measures have led to a decline in revenue from voice services in 2019 and 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 Network. 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 Mainland 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.

***We are subject to risks associated with our telecommunications equipment suppliers and other business partners 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 and related maintenance and technical support from certain PRC and overseas telecommunications equipment suppliers. See “Item 4. Information on the Company — Business Overview — Mobile Networks.” We also transact with our business partners who operate globally. As these parties operate globally and are therefore subject to the laws and regulations in various jurisdictions, 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. The relevant jurisdictions include, among others, the United States, the European Union and the United Nations. Furthermore, as the supply of our telecommunications equipment relies on a global supply chain which is vulnerable to significant disruptions in the supply of parts and other items that are necessary for the relevant manufacturing activities. For instance, certain telecommunications equipment manufacturers were added by the U.S. government to an entity list in May 2019, which resulted in the imposition of additional licensing requirements on the export, re-export and transfer of goods, services and technology to such manufacturers. While the U.S. government issued a temporary general license partially restoring the said licensing requirements in limited types of transactions and extended the expiration dates of the temporary license for multiple times, there is no guarantee that the U.S. government will further extend the expiration date of the temporary license or fully withdraw the licensing requirements. Such disruptions could prevent those affected manufacturers 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 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 network equipment and difficulties in timely improving our services that rely on those suppliers for upgrading our networks and related software and applications. Any of these 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 Mainland China. As a result of these changes, when mobile users of China Telecom and China Unicom and our mobile users in Mainland 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 Mainland China. The MIIT allocated the frequency bands of 4900-4960MHz, 3400-3500MHz and 3500-3600MHz to China Broadcasting Network and the respective parent companies of China Telecom and China Unicom, respectively, for their own 5G programs. In addition, in November 2019, the MIIT allocated the frequency bands of 3300-3400MHz to China Broadcasting Network and the respective parent companies of China Telecom and China Unicom for their joint use in indoor 5G coverage. 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. Therefore, we may not be in the best position in the development of 5G technologies. 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 RMB165.9 billion in 2019, which was spent primarily to strengthen our 5G first-mover advantage, support our 4G data traffic growth, 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 RMB179.8 billion in 2020. Capital expenditure in 2020 will serve a variety of purposes, including the proactive build-out 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 Mainland 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 and 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. 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, and has fueled concerns that it will lead to a global recession. 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. Despite the PRC government's efforts to revive China's economy, China's economy experienced a significant slowdown since the outbreak and will continue to face new difficulties and challenges due to the spread of the pandemic, increasing risk of 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 cases of COVID-19 pandemic have continued to be identified, 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 mobile business related products and services and a decline in our subscribers, 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, labor shortage and other limitations on our business activities, increased credit risk due to the deteriorating financial condition of certain corporate customers, and diminished investment returns due to the weakened business performance of some of our investees.

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 Mainland China — An economic slowdown in Mainland 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., our joint venture with China Merchants Group, ChannelSoft (Beijing) 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. 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 and China Mobile Investment Holdings Co., Ltd., or CMI Holdings. 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 shares and ADSs.***

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 ordinary shares and ADSs 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 ordinary shares and ADSs 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 ordinary shares and ADSs 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, 2020, 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 Mainland 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 Mainland 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 Mainland 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 Mainland 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, 2020, 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 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 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 and 2018 with the SEC, and our conflict minerals report for the year ended December 31, 2019 is due May 31, 2020. 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.

#### **Risks Relating to the Telecommunications Industry in Mainland 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 Mainland 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 Mainland China. In 2000, the State Council promulgated a set of telecommunications regulations, or the Telecommunications Regulations, that apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will positively affect the overall development of the telecommunications industry in Mainland 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 Mainland 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 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. 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 Mainland 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 Mainland 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, 2019, we had provided broadband access to around 43,000 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 Mainland 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, and new technologies, products and services.

***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 Mainland China**

***An economic slowdown in Mainland 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 Mainland China. As a result, economic, political and legal developments in Mainland China have a significant effect on our financial condition and results of operations, as well as our future prospects. While Mainland 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 6.1% in 2019. Because of the domestic and international challenges China faces from time to time, its GDP growth rate may further decline. For example, the outbreak of the COVID-19 pandemic and its impact 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 Mainland China's business environment 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 Mainland 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 Mainland 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.***

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 Mainland 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 Mainland China may also be limited.***

Substantially all of our assets and our subsidiaries are located in Mainland China. In addition, most of our directors and officers reside within Mainland China, and substantially all of the assets of our directors and officers are located within Mainland China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside Mainland China upon most of our directors or officers, including with respect to matters arising under applicable laws and regulations. Moreover, Mainland 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 Mainland 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 Mainland China.

***Our investors may be deprived of the benefits of PCAOB's oversight of our independent registered public accounting firm through inspections.***

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 Mainland China with respect to their audit work of U.S. reporting companies. As a result, 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 access to audit and other information currently protected by national law, in particular PRC laws, in June 2019, a bipartisan group of lawmakers introduced the Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges Act, or the EQUITABLE Act, in both houses of the U.S. Congress to require the SEC to maintain a list of issuers for which the PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The EQUITABLE Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges (including the New York Stock Exchange) of issuers included on the SEC's list for three consecutive years. It is unclear if and when this proposed legislation would be enacted. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our ADSs could be 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 Mainland China as well as in Hong Kong. Based on publicly available information, we are the leading provider of telecommunications and related services in Mainland 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, 2019. As of March 31, 2020, our total number of mobile customers reached approximately 946 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.

### ***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 Mainland 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, 2020, 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 Mainland 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 Mainland 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 Mainland 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 NDRC and the MOF jointly issued a joint announcement relating to the further reform of the telecommunications industry in Mainland 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 Mainland 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 Mainland 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, 2020, we indirectly owned approximately 28% equity interest in China Tower.

### **Organizational Structure**

As of March 31, 2020, 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 Mainland China and in Hong Kong. As of March 31, 2020, 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 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 Group Chongqing Co., Ltd.
- China Mobile Group Sichuan Co., Ltd.
- 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 International Limited
- China Mobile IoT Company Limited
- 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 Group Finance Co., Ltd., or 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 60<sup>th</sup> 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 Mainland China and Hong Kong. Our web site address is [www.chinamobileltd.com](http://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](http://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***

As a pioneer and market leader in the world's largest mobile market, we have aligned ourselves with mobile Internet development trends. We aim to maintain our leading position in 4G development and lead the commercialization of 5G technologies. We aim to provide direction and leadership for 5G development, exploring suitable 5G products and business models with industry partners. In particular, we will pursue long-term co-existence of 5G and 4G services to promote synergistic development, facilitate convergence of new information technologies to provide applications in more diverse forms and varieties and construct an ecosystem that is fully assimilated into all society sectors.

In order to adapt to an evolving competitive landscape, we have set our ultimate goal of becoming a world-class enterprise by building a dynamic "Powerhouse" based on transformation, upgrade, reform and innovation, formulating a value-driven operating system that leverages our advantages of scale to drive further convergence, integration and digitization across the board. We structured our organization to enable effective and synergetic capability building and collaborative growth while nurturing internal vitality. We further implemented the "5G +" plan and scale up connection base, strengthen connection applications and provide premium connection services. Our business scope will be expanded from telecommunication services to information services, with our market focus switched from the mobile market to the "four growth engines" that comprise the "customer" market, the "home" market, the "business" market and the "new" market ("CHBN"). The development model will be transformed from resource-driven to innovation-driven. In 2019, the "four growth engines" income structure continued to be optimized, while income from the "home" market, the "business" market and the "new" market accounted for an increased proportion of the total income.

*"Customer" Market.* We have been dedicated to the development of our 4G and 5G networks. As of December 31, 2019, we cumulatively put in use 3.09 million 4G base stations and over 50,000 5G base stations, which covered over 99% of the population of China. In 2019, the number of our 4G customers increased by 6.4%, reaching approximately 758 million at the end of the year. We began providing 5G services in November 2019 and had approximately 32 million 5G package customers as of March 31, 2020. Our robust network capabilities and industry-leading customer service quality contributed to the rapid growth in data traffic. Our handset data traffic reached 65.89 billion gigabytes in 2019, representing a 90.3% increase from that of 34.62 billion gigabytes in 2018. Our Voice over LTE, or VoLTE, customers reached 520.7 million as of December 31, 2019. In 2020, we will endeavor to maintain our market leading position in China in terms of handset data traffic and further enhance 4G network quality and customer perception through the continued promotion of VoLTE and customer information protection. We also intend to maintain our leading position in the commercialization of 5G technologies.

*"Home" Market.* In 2019, we continued to build an integrated household product portfolio, improve the quality of our broadband services, enhance our brand awareness and increase the value proposition to our customers through our home digital services, such as Mobaihe, our home digital set-top box providing high-definition video-on-demand service, smart home network deployment and "and-Mu" family surveillance camera. For example, subscribers to Mobaihe reached 122 million at the end of 2019. The expansion in both our household broadband customer base and market share continued in 2019. Our household broadband customers exceeded 171.91 million at the end of 2019, increasing by 17.1% from 146.83 million at the end of 2018, 88.1% of which subscribe to broadband products with bandwidth of 100 Mbps or higher. In 2020, in addition to continuing to expand our customer base, we plan to further enhance the quality of our broadband services, enrich our digital applications and build a leading position in the smart home business.

*"Business" Market.* The "business" market was our new growth engine and we strove to nurture new growth points by fully leveraging our cloud and network convergence advantages, building on our DICT (data, information and communications technology) infrastructure comprising IDC, ICT, Mobile Cloud, big data and other corporate applications and information services. Our IoT business had 884 million customers as of December 31, 2019, representing one of the largest dedicated IoT networks in the world in terms of the number of customers. Buoyed by active promotion of our "Network + Cloud + DICT" smart services, customers and revenue recorded rapid growth. As of December 31, 2019, the number of our corporate customers reached 10.28 million, representing a year-on-year increase of 43.2%. Focusing on key sectors such as industry, agriculture, education, public administration, healthcare, transportation and finance, we have deepened go-to-market resources to promote DICT solutions that cater to sector-specific scenarios.

*“New” Market.* In 2019, we continued to grow in four new areas, namely international business, equity investment, digital content and financial technology. We have been engaged in developing innovative applications and information services, making a number of achievements. The monthly active users for our “MIGU Video” service, which provides streaming media and video-on-demand on mobile, and for the core functions of “and-Wallet”, our mobile payment service, increased by 46.4% and 58.9% year-on-year, respectively. We have also been expanding our international business, launching service platforms such as CMLink, iConnect and iSolutions. In 2020, we plan to step up our efforts in international businesses, equity investment, digital contents and financial technology.

In terms of long-term strategy, aligning with our overall goal of building a world-class “Powerhouse”, we will promote the construction of our 5G network, strive to play a leading role in the innovation and development of the next generation of information technology, actively expand digitized, connected, intelligent and innovative services, vigorously promote the deep integration of digital economy and real economy, and proactively utilize information technology to benefit all stakeholders. Through continuous and in-depth promotion of transformation, upgrade, reform and innovation, we aim to significantly optimize the revenue structure of our “four growth engines”, adopt a holistic approach toward the development of the domestic and international markets, continue to scale up our business and enlarge our customer base, maintain a steady increase in our revenue and profit and significantly enhance our risk resistance capacity, thus achieving sustainable growth and high-quality development.

### ***Customers and Usage***

Our mobile customer base has grown from approximately 925 million at the end of 2018 to approximately 950 million at the end of 2019. As of March 31, 2020, we had approximately 946 million mobile customers, including approximately 752 million 4G customers and approximately 32 million 5G package customers. Our total number of wireline broadband customers achieved a substantial growth from 157 million by the end of 2018 to 187 million by the end of 2019, and reached approximately 191 million as of March 31, 2020. Our customer growth is primarily attributable to a number of factors, including:

- economic growth in our markets, including in rural areas;
- the PRC government’s promotion of “informatization”, “Internet+”, “Digital China” and reform and development initiatives targeting the rural areas of Mainland China;
- growth potential in small and medium-sized cities, rural areas and migrant population markets;
- decreased cost of initiating services due to a decline in handset prices as well as the decrease in other tariffs for our services;
- our increased marketing and sales efforts and new business initiatives;
- the implementation of our business strategy for the transformation to become an innovative integrated service provider;
- the introduction of new technologies, products and services with enhanced customer experience;
- our competitive advantages in terms of scale of operations, networks, support systems, brands, marketing and sales channels, and services;
- the further development of 4G industry chain, in particular the increasing availability of 4G handsets, especially smartphones, in the market which contributes to the increase in our 4G customer base;
- the evolution of 5G industry chain, including development in, and availability of, terminals that support our 5G services;
- the increasing prevalence of customers using multiple SIM cards; and
- the higher customer demand for high speed Internet access.

However, due to the increasing mobile penetration rate and intensified competition among telecommunications operators and from competitors in related industries, our mobile customer base may not continue to grow as fast as it has over the past few years, if at all. 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 Mainland China may reduce our market share and decrease our profit margin”

Our total voice usage was 3,224.8 billion minutes in 2019, representing a decrease by 7.5% from 2018. Our SMS usage totaled 848.4 billion messages in 2019, an increase by 37.6% from 2018. 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 significantly increased to 65.89 billion gigabytes in 2019, representing an increase of 90.3% from 2018. Our average handset data traffic per user per month reached 6,909 MB in 2019, representing an increase of 85.5% from 2018. 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,		
	2017	2018	2019
<b>Mobile Business</b>			
Customer base (in millions)	887.2	925.1	950.3
of which: 4G customer base (in millions)	649.5	712.7	758.0
Total voice usage (in billions of minutes)	3,811.6	3,485.2	3,224.8
Handset data traffic (in billions of gigabytes)	12.27	34.62	65.89
Average minutes of usage per user per month (minutes) <sup>(1)</sup>	366	320	287
Average handset data traffic per user per month (MB) <sup>(2)</sup>	1,399	3,725	6,909
Average handset data traffic per 4G user per month (MB)	1,756	4,410	7,877
Average revenue per user per month (RMB) <sup>(3)</sup>	57.7	53.1	49.1
Average monthly churn rate (%) <sup>(4)</sup>	2.06	2.13	2.25
<b>Wireline Broadband Business</b>			
Customer base (in millions)	112.7	156.7	187.0
Average revenue per user per month (RMB) <sup>(5)</sup>	35.1	33.5	32.8
<b>IoT Business</b>			
Customer base (in millions)	229	551	884

- (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 2017, 2018 and 2019 is derived from our consolidated statements of comprehensive income for the years ended December 31, 2017, 2018 and 2019, respectively.
- (4) Measures the monthly rate of customer disconnections from mobile telecommunications services, determined by dividing: (A) the result obtained by dividing (i) the sum of voluntary and involuntary terminations from our network (excluding internal transfer) during the relevant year by (ii) the average number of customers during the year (calculated in the same manner as in note (1) above) by (B) 12.
- (5) 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 7.5% in 2019 from 2018, 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 2019, our data business revenue, which has become the primary driver for our revenue growth since 2016, increased by 4.2% from RMB542,083 million in 2018 to RMB565,025 million (US\$81,161 million). As a percentage of revenue from telecommunications services, our data services revenue increased to 83.8% in 2019 from 80.8% in 2018.

**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 616.7 billion messages in 2018 to 848.4 billion messages in 2019, and our revenue generated from SMS and MMS decreased from RMB28,800 million in 2018 to RMB28,648 million (US\$4,115 million) in 2019 due to the substitution effect of Over The Top services.

**Wireless Data Traffic Services.** Our wireless data traffic business primarily includes handset data traffic services. Revenue generated from our wireless data traffic business reached RMB384,999 million (US\$55,302 million) in 2019, compared to RMB383,297 million in 2018, representing 57.1% 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 2019 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 65.89 billion gigabytes in 2019, a significant increase from that of 34.62 billion gigabytes in 2018.

**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 RMB68,835 million (US\$9,888 million) in 2019, representing an increase by 26.8% from RMB54,285 million in 2018, and the average revenue per user per month decreased from RMB33.5 in 2018 to RMB32.8 in 2019.

**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 RMB82,543 million (US\$11,856 million) in 2019, compared to RMB75,701 million in 2018.

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 884 million customers as of December 31, 2019. 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 122 million at the end of 2019, compared to 96.81 million at the end of 2018. Moreover, the monthly active users for our “MIGU Video” service, which provides streaming media and video-on-demand on mobile, and for the core functions of “and-Wallet”, our mobile payment service, increased by 46.4% and 58.9% year-on-year, respectively. We will continue to promote our digital services, explore new growth drivers, further advance our 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, 2019 Compared to Year Ended December 31, 2018” and “Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017” 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 Mainland China. The MIIT has continued encouraging mobile operators in Mainland 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 Mainland 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. The foregoing policies and measures have had certain adverse impact on our financial condition and results of operations, leading to decreases in the overall tariffs of our data traffic services and voice services in 2017, 2018 and 2019 respectively, as compared to those in previous years. 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 Mainland China by the end of 2019. 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 Mainland China. With effect from January 1, 2014, when mobile users of China Telecom and China Unicom in Mainland China and our mobile users in Mainland 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. The interconnection settlement policies for TD-SCDMA remain unchanged, meaning that when mobile users of China Telecom and China Unicom in Mainland China and our 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 are RMB0.06/minute, and the settlement charges payable by us to China Telecom and China Unicom are RMB0.012/minute. When users of different basic telecommunications operators in Mainland 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 also 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 2019, 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 cloud-based networks and the introduction of dock containers, 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 20,000 servers for the commercialization of cloud-based network. In addition, we contributed 1.7 million lines of code to the 5th 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 continued to improve our core competitiveness in cloud computing, launching 123 mobile cloud products and deploying 70,000 cloud computing nodes in 2019. (iv) We formulated strategies for edge computing technologies and commenced trial operation for a proprietary cloud-based edge computing platform. (v) We stepped up our research in 5G-related security and took a lead in the formulation of China's first 5G security industry standard. (vi) 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 Mainland 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 Mainland China, dealing with customer enquiries regarding services and billing, as well as handling customer complaints. In 2019, we established a customer services department to coordinate our customer services efforts.

In 2019, 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 2019.

**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.

We have focused on energy conservation and environmental protection in many aspects of our operations. We furthered our “Green Action Plan” and realized a reduction in overall energy consumption per unit of information flow by 43% in 2019 compared to 2018. We have also actively promoted the application of new technologies in pollution prevention, control and monitoring and devoted to offering innovative solutions towards the development of environment-friendly industries.

Through our China Mobile Charity Foundation, we continued to carry out philanthropic activities such as poverty alleviation and education support. We have cumulatively sponsored treatments for 5,973 children in poverty diagnosed with congenital heart disease, and provided trainings to 127,338 principals of rural primary and secondary schools in villages in central and western China.

To help combat the outbreak of COVID-19, we mobilized resources to ensure service continuity and enhanced the communications network in key areas and venues affected by the outbreak. We also fully leveraged competitive edges brought about by our online services, such as the China Mobile App, to provide convenient services for customers around the clock. During the epidemic, we provide our customers with multiple products free of charge, including Cloud Video Meeting and MIGU Video, to enrich our solutions for remote working and home entertainment.

### ***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 2019, we launched Forerunner One, a 5G smart hub and our first innovative 5G product, and Forerunner X1, one of the first commercial 5G smartphones in the Chinese market. We also extended our global footprint to 35 countries through China Mobile Global Device Alliance. Through cooperation with MTN, we successfully developed the world's first 3G KaiOS smart phone, which was launched in the African market. We also launched 3G and 4G smart phones and smart devices through cooperation with various partners, including Orange, Smart Axiata and MGTS, in Asia and Europe. In the domestic market, we provide tens of millions of self-branded home gateways and set-top boxes to subscribers along with integrated home services. We also provide devices tailored for specific industries, such as the new retail industry and the education industry. In 2020, 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, customer service and network failure handling 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 Mainland China and abroad.

We market our services under the “CHINA MOBILE” trademark, which is the trademark we use throughout Mainland 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 Mainland 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 Mainland China, Hong Kong, Macau, Taiwan, Brazil, Brunei, Canada, Chile, Indonesia, Malaysia, United Arab Emirates, Pakistan, Peru, Saudi Arabia, South Africa 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 four 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 Mainland 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 cities 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, 2020, the number of our 4G customers had reached approximately 752 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 50,000 5G base stations and now provide 5G services in 50 cities. In these cities, we have completed upgrades and transformation on NSA in areas where both 4G and 5G networks were simultaneously covered. 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, 2020, the number of our 5G package customers had reached approximately 32 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. There is currently no spectrum usage fee 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 Mainland 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 Mainland 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, 2019, the bandwidth of our backbone network has expanded by 32% as compared to December 31, 2018.

**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 2019, we focused on constructing 4G and 5G base stations and put in use 0.68 million additional 4G base stations and over 50,000 5G base stations, increasing the total number of stations to 4.48 million, covering more than 99% of the total population in China.

**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 2019, 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.

#### **Investments and Acquisitions**

As of December 31, 2019, 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 Mainland 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, 2019, CMC held approximately 13% equity interest in IFLYTEK.

In June 2014, China Mobile International Holdings Limited, or China Mobile International Holdings, our wholly-owned subsidiary, entered into a share subscription agreement with True Corporation, a major national telecommunications provider in Thailand, pursuant to which China Mobile International Holdings 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, China Mobile International Holdings 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, 2019, China Mobile International Holdings 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, 2019, 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 2019, 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 Credit Information Services Co., Ltd., or 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, 2019, 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, China Mobile International Holdings, 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.

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 digitization across various industries in Xinjiang.

### ***Competition***

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

We are one of the four licensed telecommunications services providers in Mainland China. The PRC government encourages orderly and fair competition in the telecommunications industry in Mainland 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. CMCC, our parent company, is currently considering external cooperation for 5G network construction and sharing and has been in discussion with certain third parties to explore the potential cooperation arrangement. Additionally, the PRC government has required the implementation of mobile number portability programs in Mainland 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 Mainland 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 Mainland China is highly regulated. See “Item 3. Key Information – Risk Factors – Risks Relating to the Telecommunications Industry in Mainland 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 Mainland 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 Mainland 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 Mainland 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 Mainland China. However, these investments will presumably bear no direct relation to the issuance of licenses to providers of telecommunications services in Mainland 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 repackage 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 Mainland 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 10<sup>th</sup> 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 Mainland 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 Mainland 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 Mainland 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 Mainland 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, 2017, 2018 and 2019, we had 464,656, 459,152 and 456,239 employees, respectively. Substantially all of our employees are located in Mainland China. The employees as of December 31, 2019 are classified in the following table. Approximately 70.3% of our permanent employees have college or graduate degrees. Set forth below is a breakdown of our employees by function as of December 31, 2019:

	<u>Number</u>	<u>% of Total</u>
Management	34,253	7.5
Technical	123,773	27.1
Marketing	243,062	53.3
General affairs	48,544	10.6
Other	6,607	1.5
<b>Total</b>	<u>456,239</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 2019. We believe we have built a harmonious relationship with our employees.

The number of labor sourced by third parties was 30,598 by the end of 2019.

#### **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 Mainland 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 2019 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 Spacel 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 2019, 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.

**Financial Highlights**

Our operating revenue reached RMB745,917 million (US\$107,144 million) in 2019, of which, revenue from our telecommunications services amounted to RMB674,392 million. Our revenue structure further improved in 2019. Revenue from wireless data traffic reached RMB384,999 million (US\$55,302 million) in 2019, which remained our largest revenue source. Our profit attributable to equity shareholders reached RMB106,641 million (US\$15,318 million) in 2019, or basic earnings per share of RMB5.21. The total dividend payment for 2019 reached HK\$3.250 per share.

**Overview of Our Operations**

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

	<b>Year ended December 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total voice usage (in billions of minutes)	3,811.6	3,485.2	3,224.8
Handset data traffic (in billions of gigabytes)	12.27	34.62	65.89
Operating revenue (in RMB millions)	740,514	736,819	745,917
Operating expenses (in RMB millions)	620,388	615,432	632,768
Profit attributable to equity shareholders (in RMB millions)	114,279	117,781	106,641

In 2017, 2018 and 2019, our customer base and wireless data traffic business continued to experience stable growth. Wireless data traffic remained the largest revenue source in 2019, surpassing the combined revenue of voice, SMS and MMS. Our total net increase in the number of mobile customers was 25.2 million in 2019 and our total mobile customer base reached 950.3 million as of December 31, 2019. Our total voice usage decreased by 8.6% in 2018 and further decreased by 7.5% in 2019. Our handset data traffic increased by 182.1% in 2018 and by 90.3% in 2019. Our operating revenue decreased by 0.5% in 2018 and increased by 1.2% in 2019. Our data business continued to grow, and our data services revenue accounted for 80.8% and 83.8% of our revenue from telecommunications services in 2018 and 2019, respectively. Our operating expenses decreased by 0.8% in 2018 and increased by 2.8% in 2019. Our profit attributable to equity shareholders increased by 3.1% in 2018 and decreased by 9.5% in 2019.

The PRC economy continued to grow in terms of GDP by 6.1% in 2019, 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 Mainland China reached 114.4% as of December 31, 2019, the mobile markets in some economically developed regions of Mainland 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 Mainland 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 Mainland 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 Mainland China. See “Item 3. Key Information — Risk Factors — Risks Relating to Mainland China — An economic slowdown in Mainland 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 telecommunications services agreement with CMCC, pursuant to which we provide certain telecommunications services to CMCC and its subsidiaries.

### ***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 to RMB49.1 in 2019 from RMB53.1 in 2018 due to increased competition among telecommunications operators and a decline in handset data traffic tariff. Our average revenue per wireline broadband user per month decreased to RMB32.8 in 2019 from RMB33.5 in 2018 as a result of the continued implementation of the “speed upgrade and tariff reduction” policy.

### **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, 2017, 2018 and 2019. 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 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 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 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 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.

#### ***Accounting policies applied prior to December 31, 2017***

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

- (i) revenue derived from voice and data services is recognized when the service is rendered;
- (ii) sales of products are recognized when title passes to the buyer;

(iii) for offerings that include the provision of services and the sale of mobile handsets, we determine revenue from the sale of the mobile terminals by deducting the fair value of the service element from the total contract consideration; and

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

### ***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.

Prior to December 31, 2017, we assess impairment loss for doubtful accounts based upon evaluation of the recoverability of the accounts receivable and other receivables at each balance sheet date. Our estimates are based on the aging of our accounts receivable and other receivable balances and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate, additional impairment may be required.

### ***Depreciation***

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. 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 life 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 impairment of property, plant and equipment, investment accounted for using the equity method, goodwill and other intangible assets was recorded in 2017, 2018 and 2019, except for impairment of 2G wireless network equipment in 2017. Details are set forth in notes 15, 19 and 21 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 determine 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 for the Year Ended December 31, 2019**

Up to the date of issue of our consolidated financial statements for the year ended December 31, 2019, the IASB has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended December 31, 2019 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, 2021
Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”	January 1, 2020
Amendments to IFRS 3 “Business Combinations” – “Definition of a Business”	January 1, 2020
Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendment to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – interest rate benchmark reform	January 1, 2020
Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in associates and joint ventures”	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,					
	2017		2018		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(in millions of RMB, except percentage data)						
Operating revenue <sup>(1)</sup> :						
Revenue from telecommunications services	668,351	90.3	670,907	91.1	674,392	90.4
Revenue from sales of products and others	72,163	9.7	65,912	8.9	71,525	9.6
Total	<u>740,514</u>	<u>100.0</u>	<u>736,819</u>	<u>100.0</u>	<u>745,917</u>	<u>100.0</u>
Operating expenses <sup>(2)</sup> :						
Network operation and support expenses	192,340	31.0	200,007	32.5	175,810	27.8
Depreciation and amortization	150,295	24.2	154,154	25.0	182,818	28.9
Employee benefit and related expenses	85,513	13.8	93,939	15.3	102,518	16.2
Selling expenses	61,086	9.8	60,326	9.8	52,813	8.3
Cost of products sold	73,668	11.9	66,231	10.8	72,565	11.5
Other operating expenses	57,486	9.3	40,775	6.6	46,244	7.3
Total	<u>620,388</u>	<u>100.0</u>	<u>615,432</u>	<u>100.0</u>	<u>632,768</u>	<u>100.0</u>
Profit from operations	120,126		121,387		113,149	
Other gains	2,389		2,906		4,029	
Interest and other income	15,883		15,885		15,560	
Finance costs	(210)		(144)		(3,246)	
Income from investments accounted for using the equity method	9,949		13,861		12,641	
Profit before taxation	148,137		153,895		142,133	
Taxation	(33,723)		(35,944)		(35,342)	
Profit for the year	<u>114,414</u>		<u>117,951</u>		<u>106,791</u>	
Attributable to:						
Equity shareholders	114,279	99.9	117,781	99.9	106,641	99.9
Non-controlling interests	135	0.1	170	0.1	150	0.1
Profit for the year	<u>114,414</u>	<u>100.0</u>	<u>117,951</u>	<u>100.0</u>	<u>106,791</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 terminals as well as revenue from construction contracts.
- (2) To better reflect our cost structure, we optimized the presentation of operating expenses in 2019 by reclassifying certain line items thereof. Conforming adjustments are made to operating expenses in 2017 and 2018 to make them comparable with operating expenses in 2019.

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

**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 SIM cards and terminals, as well as revenue from construction contracts. See note 1 to the table above.

Operating revenue increased from RMB736,819 million in 2018 to RMB745,917 million (US\$107,144 million) in 2019, representing a year-on-year increase of 1.2%. Revenue from telecommunications services grew from RMB670,907 million in 2018 to RMB674,392 million (US\$96,870 million) in 2019, representing a year-on-year increase of 0.5%, primarily as a result of our continued business transformation and the waning carryover effect of the cancellation of domestic data roaming charges.

Due to the substitution effect of mobile Internet and other factors, revenue from voice services decreased from RMB108,083 million in 2018 to RMB88,624 million (US\$12,730 million) in 2019, representing a year-on-year decrease of 18.0%.

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 (Decrease)</u>	<u>Change</u>
	<u>2018</u>	<u>2019</u>		
	(Revenue, in millions of RMB, except percentage data)			(%)
SMS and MMS	28,800	28,648	(152)	(0.5)
Wireless data traffic	383,297	384,999	1,702	0.4
Wireline broadband	54,285	68,835	14,550	26.8
Applications and information services	75,701	82,543	6,842	9.0
Data services revenue	<u>542,083</u>	<u>565,025</u>	<u>22,942</u>	4.2
Data services revenue as a percentage of revenue from telecommunications services	80.8	83.8	3.0	—

Our data business includes wireless data traffic, wireline broadband, SMS and MMS, and applications and information services. Data services revenue grew from RMB542,083 million in 2018 to RMB565,025 million (US\$ 81,161 million) in 2019, representing a year-on-year increase of 4.2%. This increase was mainly due to improved quality of our broadband services and the growth in revenue generated from certain corporate customers.

Revenue from wireless data traffic increased by 0.4% from RMB383,297 million in 2018 to RMB384,999 million (US\$55,302 million) in 2019. Revenue generated from wireline broadband business grew by 26.8% from RMB54,285 million in 2018 to RMB68,835 million (US\$9,888 million) in 2019. Revenue generated from SMS and MMS decreased by 0.5% from RMB28,800 million in 2018 to RMB28,648 million (US\$4,115 million) in 2019. Revenue generated from applications and information services increased by 9.0% from RMB75,701 million in 2018 to RMB82,543 million (US\$11,856 million) in 2019. As a percentage of revenue from telecommunications services, data services revenue increased from 80.8% in 2018 to 83.8% in 2019.

Revenue from sales of products and others increased by 8.5% from RMB65,912 million in 2018 to RMB71,525 million (US\$10,274 million) in 2019, primarily due to increased sales of ICT equipment, IoT and other smart devices.

**Operating Expenses.** To better reflect our cost structure, we optimized the presentation of our operating expenses in 2019 by reclassifying certain line items thereof. Conforming adjustments are made to operating expenses in 2018 to make them comparable with operating expenses in 2019. Following such reclassification, operating expenses include network operation and support expenses, depreciation and amortization, employee benefit and related expenses, selling expenses, cost of products sold and other operating expenses. Other operating expenses primarily consist of interconnection, credit impairment losses, write-down of inventories, gains or losses on disposal of property, plant and equipment, write-off and impairment of property, plant and equipment, auditor's remuneration and other miscellaneous expenses. The changes in presentation have no effect on reported operating revenue, operating expenses or net profits for any of the years presented. Operating expenses increased by 2.8% from RMB615,432 million in 2018 to RMB632,768 million (US\$90,891 million) in 2019. Among the operating expenses:

Network operation and support expenses decreased by 12.1% from RMB200,007 million in 2018 to RMB175,810 million (US\$25,254 million) in 2019. As a percentage of operating expenses, network operation and support expenses decreased from 32.5% in 2018 to 27.8% in 2019. The decrease in our network operation and support expenses in 2019 was primarily due to the adoption of IFRS 16, which recognizes leasing fees as depreciation and amortization or finance costs. Under IAS 17, the previous standard, our network operation and support expenses would have increased by 0.3% in 2019, primarily due to an increase in tower leasing fees.

Depreciation and amortization expenses increased by 18.6% from RMB154,154 million in 2018 to RMB182,818 million (US\$26,260 million) in 2019. As a percentage of operating expenses, depreciation and amortization expenses increased from 25.0% in 2018 to 28.9% in 2019. The increase in our depreciation and amortization expenses in 2019 was primarily due to the adoption of IFRS 16, which recognizes certain leasing fees as depreciation and amortization. Under IAS 17, the previous standard, our depreciation and amortization expenses would have increased by 3.8% in 2019, primarily due to the expansion of assets scale resulting from our efforts to satisfy business development needs, enhance customer perception and improve network quality.

Employee benefit and related expenses increased by 9.1% from RMB93,939 million in 2018 to RMB102,518 million (US\$14,726 million) in 2019. We continued to adjust and optimize our personnel structure and enhanced incentives for core staff, leading to an increase in employee benefit and related expenses. As a percentage of operating expenses, employee benefit and related expenses increased from 15.3% in 2018 to 16.2% in 2019.

Selling expenses decreased by 12.5% from RMB60,326 million in 2018 to RMB52,813 million (US\$7,586 million) in 2019. This decrease was principally because we actively promoted the transformation of our marketing model, enhanced precision marketing to customers, and endeavored to improve the efficiency in utilization of marketing resources. As a percentage of operating expenses, selling expenses decreased from 9.8% in 2018 to 8.3% in 2019.

Cost of products sold increased by 9.6% from RMB66,231 million in 2018 to RMB72,565 million (US\$10,423 million) in 2019. This increase was primarily driven by the increased sales of ICT equipment, IoT and other smart devices. As a percentage of operating expenses, cost of products sold increased from 10.8% in 2018 to 11.5% in 2019.

Other operating expenses increased by 13.4% from RMB40,775 million in 2018 to RMB46,244 million (US\$6,642 million) in 2019. The increase was mainly due to (i) an increase in the loss allowance for accounts receivable and asset retirement write-offs resulting from our efforts to improve asset quality and (ii) an increase in R&D expenses. As a percentage of operating expenses, other operating expenses increased from 6.6% in 2018 to 7.3% in 2019. For more information on our other operating expenses and the above-mentioned provision, 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 6.8% from RMB121,387 million in 2018 to RMB113,149 million (US\$16,253 million) in 2019, and operating margin (profit from operations as a percentage of operating revenue) decreased from 16.5% in 2018 to 15.2% in 2019.

**Other Gains.** Other gains increased by 38.6% from RMB2,906 million in 2018 to RMB4,029 million (US\$578 million) in 2019, principally due to the increase in government subsidies and additional deduction of VAT.

**Interest and Other Income.** Interest and other income decreased from RMB15,885 million in 2018 to RMB15,560 million (US\$2,235 million) in 2019.

**Finance Costs.** Finance costs increased significantly from RMB144 million in 2018 to RMB3,246 million (US\$466 million) in 2019. This increase was mainly due to newly recognized finance costs associated with lease liabilities under IFRS 16, which has been adopted for accounting periods beginning on or after January 1, 2019.

**Income from Investments Accounted for Using the Equity Method.** We had income from investments accounted for using the equity method of RMB12,641 million (US\$1,816 million) in 2019, an decrease by 8.8% from RMB13,861 million in 2018. The decrease was primarily attributable to our shareholding in China Tower. 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 decreased by 7.6% from RMB153,895 million in 2018 to RMB142,133 million (US\$20,416 million) in 2019.

**Taxation.** Our income tax expense decreased by 1.7% from RMB35,944 million in 2018 to RMB35,342 million (US\$5,077 million) in 2019, primarily due to a decrease in our taxable income. Our effective tax rate was 23.4% in 2018 and 24.9% in 2019.

**Profit Attributable to Equity Shareholders.** As a result of the foregoing and after taking into account non-controlling interests, profit attributable to equity shareholders decreased by 9.5% from RMB117,781 million in 2018 to RMB106,641 million (US\$15,318 million) in 2019. Net profit margin (profit attributable to equity shareholders as a percentage of operating revenue) decreased from 16.0% in 2018 to 14.3% in 2019.

## Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

For a discussion of our results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017, please see “Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017” of our annual report on Form 20-F for the year ended December 31, 2018.

### Liquidity and Capital Resources

#### Liquidity

Our principal source of liquidity is cash generated from our operations. As of December 31, 2019, we had working capital (current assets minus current liabilities) of RMB67,799 million (US\$9,739 million), compared to working capital of RMB60,718 million as of December 31, 2018 and working capital of RMB28,214 million as of December 31, 2017. The increase in our working capital as of December 31, 2019 from December 31, 2018 was primarily due to a decrease in our accounts payable. The current portion of our finance lease obligations as of December 31, 2017, 2018 and 2019 were nil, nil and nil, respectively. The current portion of our lease liabilities as of December 31, 2019 was RMB22,668 million (US\$ 3,256 million).

Bank deposits represent term deposits with banks with original maturity exceeding three months. As of December 31, 2019, we had bank deposits of RMB130,799 million (US\$18,788 million), compared to bank deposits of RMB291,887 million as of December 31, 2018 and bank deposits of RMB279,371 million as of December 31, 2017. 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,		
	2017	2018	2019
	(in millions of RMB)		
Net cash generated from operating activities	245,514	206,151	247,591
Net cash used in investing activities	(106,533)	(212,231)	(64,206)
Net cash used in financing activities	(108,231)	(57,820)	(64,901)
Net increase/(decrease) in cash and cash equivalents	<u>30,750</u>	<u>(63,900)</u>	<u>118,484</u>

Net cash generated from operating activities increased by 20.1% from RMB206,151 million in 2018 to RMB247,591 million (US\$35,564 million) in 2019, which primarily reflects the reclassification of repayment of principal and interest of lease liabilities as cash used in financing activities under IFRS 16 and a smaller decrease in deferred revenue in 2019.

Net cash used in investing activities decreased by 69.7% from RMB212,231 million in 2018 to RMB64,206 million (US\$9,223 million) in 2019 primarily due to a decrease in bank deposits, compared to an increase in 2018.

Net cash used in financing activities increased by 12.2% from RMB57,820 million in 2018 to RMB64,901 million (US\$9,322 million) in 2019, primarily due to the reclassification of repayment of principal and interest of lease liabilities as cash used in financing activities under IFRS 16 in 2019.

For a discussion of our cash flow information for the year ended December 31, 2018 compared to the year ended December 31, 2017, 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, 2018.

### **Capital Expenditures**

Capital expenditures incurred in 2017, 2018 and 2019 were RMB177,533 million, RMB167,075 million and RMB165,878 million (US\$23,827 million), respectively. We incurred capital expenditures principally for strengthening 5G first-mover advantage, supporting 4G data traffic growth, bettering the deployment of cloud resources, promoting cloud-based network transformation, building up transmission capability and boosting IT support.

We estimate that we will incur capital expenditures of approximately RMB179.8 billion (US\$25.8 billion) in 2020. Our capital expenditure, which is expected to be principally incurred in Mainland China, will serve a variety of purposes, including the proactive build-out 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 2020.

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, 2019, we did not have any borrowings.

#### **Other Contractual Obligations and Commitments**

As of December 31, 2019, 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 repair and maintenance. 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 37 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, 2019:

<b>Contractual Obligations</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 – 3 years</b>	<b>3 – 5 years</b>	<b>More than 5 years</b>
	(in millions of RMB)				
Accounts Payable	164,818	164,818	—	—	—
Bills Payable	2,896	2,896	—	—	—
Accrued Expenses and Other Payables	182,368	182,368	—	—	—
Amount Due to Ultimate Holding Company	21,677	21,677	—	—	—
Lease Liabilities	80,973	23,814	39,791	9,662	7,706
<b>Total Contractual Obligations</b>	<b>452,732</b>	<b>395,573</b>	<b>39,791</b>	<b>9,662</b>	<b>7,706</b>

The following table sets forth certain information regarding our other commercial commitments as of December 31, 2019:

<u>Other Commercial Commitments</u>	<u>Total Amount Committed</u>	<u>Amount of Commitment Expiration Per Period</u>			
		<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>
Capital Commitments	41,893	36,421	5,472	—	—

Apart from the commitments listed above, as of December 31, 2019, 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, 2019, 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 Mainland China. Under the current foreign exchange system in Mainland China, our subsidiaries in Mainland 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 Mainland 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 Mainland 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 Mainland 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, 2020.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. YANG Jie	57	Executive Director and Chairman
Mr. WANG Yuhang	58	Executive Director
Mr. DONG Xin	54	Executive Director, Vice President and Chief Financial Officer
Dr. Moses M.C. CHENG	70	Independent Non-Executive Director
Mr. Paul M.Y. CHOW	73	Independent Non-Executive Director
Mr. Stephen K.W. YIU	59	Independent Non-Executive Director
Dr. YANG Qiang	58	Independent Non-Executive Director
Mr. LI Huidi	51	Vice President
Mr. GAO Tongqing	56	Vice President
Mr. JIAN Qin	54	Vice President
Mr. ZHAO Dachun	49	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. 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 over 30 years of experience in the shipping industry with rich experience in human resources and corporate management.

Mr. DONG Xin has served as our Executive Director, Vice President and Chief Financial Officer since March 2017. Mr. Dong is principally in charge of corporate affairs, planning and construction, finance, internal audit and investor relations of the Company. He is also a Vice President and the Chief Accountant of CMCC and a Director and Vice President of CMC. In May 2018, Mr. Dong was appointed as a non-executive director of China Tower. Mr. Dong formerly served as a Deputy Director of Corporate Finance Division of Finance Department of the former Ministry of Posts and Telecommunications, a Director of Economic Adjustment Division of the Department of Economic Adjustment and Communication Clearing of the former Ministry of Information Industry of China, Director General of the Finance Department of CMCC, Chairman and President of China Mobile Group Hainan Company Limited, Director General of the Planning and Construction Department of CMCC, Chairman and President of China Mobile Group Henan Company Limited and China Mobile Group Beijing Company Limited. Mr. Dong received a Bachelor's degree from Beijing University of Posts and Telecommunications in 1989, a Master's degree in financial and accounting management from Australian National University, and a doctoral degree in business administration jointly issued by Shanghai Jiao Tong University and ESC Rennes School of Business, France. Mr. Dong is a senior engineer and senior accountant with many years of experience in the telecommunications industry and financial management.

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 and an independent non-executive director of ARA Asset Management 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 is currently an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. 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 and an independent non-executive director of CITIC Limited from March 2016 to June 2019.

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 Founding Director of the Big Data Institute, the Chair Professor and former New Bright Professor of Engineering and the former Head of the Department of Computer Science and Engineering of the Hong Kong University of Science and Technology, or HKUST, as well as the chief scientific consultant to 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 2009 to November 2014, Dr. Yang was also a technical consultant to the 2012 Laboratories of Huawei Technologies Co., Ltd. or Huawei, in charge of big data research, and served as, among other posts, the Founding Head of Huawei's Noah's Ark Research Lab and the head of Huawei's Big Data Committee. 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 network, international information harbor, information security, procurement, terminals and others. Mr. Li is also a Vice President 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 and investment. 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. 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, information and technology, 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 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 2019 was approximately RMB6.1 million (US\$0.9 million). The amount of compensation that we paid to our independent non-executive directors for their services in 2019 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, 2020, 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 filed 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 is still subject to approval from our shareholders at a general meeting to be convened in due course. As of the date of this annual report, we have not granted any share option pursuant to the Scheme.

### **Item 7. Major Shareholders and Related Party Transactions.**

#### **Major Shareholders**

As of March 31, 2020, 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, 2020, 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, 2020, 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 Mainland China, Hong Kong, Macau, Taiwan, Brazil, Brunei, Canada, Chile, Indonesia, Malaysia, United Arab Emirates, Pakistan, Peru, Saudi Arabia, South Africa 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 four 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 Mainland 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 Mainland 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 2019, 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 Mainland 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 2019, 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 2019, 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 2019 under the Network Capacity Leasing Agreement did not exceed the de minimis threshold under the Hong Kong Listing Rules, and it is expected that the amount of leasing fees payable by us to CMCC under the Network Capacity Leasing Agreement (as renewed) will not exceed RMB100 million in 2020. 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.

The leasing fees will be determined with reference to the prevailing market rates, but in any event shall not be more than the leasing fees charged to any independent third party for the same kinds of network assets. The amount of leasing fees receivable by us from CMCC in 2019 under the 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 2019 under the Network Assets Leasing Agreement did not exceed RMB3,500 million. It is expected that, in 2020, the amount of leasing fees payable by us to CMCC under the Network Assets Leasing Agreement (as renewed) will not exceed RMB5,000 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 Network 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. Under this 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 RMB2,000 million in 2019 and the telecommunication facilities construction services charges receivable by us from CMCC and its subsidiaries under the 2020 Telecommunication Facilities Construction Services Agreement is expected not to exceed RMB3,000 million in 2020.

#### ***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, 2020, 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 RMB2,200 million in 2017, 2018 and 2019, 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 2020 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 RMB5,700 million in 2020.

## **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**

Other than the Investigation by the SAMR, 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 2019 and having taken into account our long-term future development, our board of directors recommended payment of a final dividend of HK\$1.723 per share for the fiscal year ended December 31, 2019. This, together with the interim dividend of HK\$1.527 per share, amounted to an aggregate dividend payment of HK\$3.250 per share for the full fiscal year of 2019.

The Company attaches great importance to shareholder returns and intends to maintain a stable dividend per share for the full year of 2020 after giving overall consideration to its profitability and cash flow generation.

Our board of directors believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for our future development and create favorable returns for our 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 trading 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, 2019 and March 31, 2020, there were 20,475,482,897 and 20,475,482,897, respectively, of our ordinary shares issued and outstanding. As of December 31, 2019 and March 31, 2020, there were, respectively, 396 and 393 registered holders of American depositary receipts evidencing 102,819,129 and 111,844,991 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 only 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, 17<sup>th</sup> 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**

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 Mainland 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 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**

The taxation of income and capital gains of holders of ordinary shares or ADSs is subject to the laws and practices of Hong Kong and of jurisdictions in which holders of ordinary shares or ADSs are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions under Hong Kong law is based on current law and practice, is subject to changes therein and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the ordinary shares or ADSs. Accordingly, each prospective investor (particularly those subject to special tax rules, such as banks, dealers, insurance companies, tax-exempt entities and holders of 10% or more of our voting capital stock) should consult its own tax advisor regarding the tax consequences of an investment in the ordinary shares and ADSs. The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this annual report on Form 20-F, all of which are subject to change. There is no reciprocal tax treaty in effect between Hong Kong and the United States.

### ***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***

Under the United States federal income tax laws, if you are a U.S. holder, 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, the ADSs are readily tradable on the New York Stock Exchange or another established securities market in the United States. The ADSs will be listed on the New York Stock Exchange, and we therefore expect that dividends we pay with respect to the ADSs will be qualified dividend income. In addition, dividends paid by a non-U.S. corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States will be qualified dividend income. As our ordinary shares are not readily tradable on an established securities market in the United States and because we are uncertain as to whether we are eligible for the benefits of the U.S.-PRC Treaty, it is unclear whether dividends paid with respect to our ordinary shares will also be qualified dividend income.

The dividend is 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 from the date you include the dividend payment in income to the date you convert 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 — PRC — 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 are a U.S. holder and 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 — PRC — 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](http://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 2019.

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, 2019, 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, 2019		As of December 31, 2018	
	2020	2021	2022	2023	2024	Thereafter	Total	Fair	Total	Fair
							Recorded	Value	Recorded	Value
On-balance sheet financial instruments										
Restricted bank deposits:										
in U.S. dollars	3	—	—	—	—	—	3	3	1	1
in Hong Kong dollars	—	—	—	—	—	—	—	—	—	—
Bank deposits:										
in U.S. dollars	1,409	—	—	—	—	—	1,409	1,409	3,621	3,621
in Hong Kong dollars	5,267	—	—	—	—	—	5,267	5,267	4,490	4,490
Cash and cash equivalents:										
in U.S. dollars	2,814	—	—	—	—	—	2,814	2,814	2,887	2,887
in Hong Kong dollars	1,511	—	—	—	—	—	1,511	1,511	532	532

**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 2019 was US\$189,316.53, 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 2019 was US\$121,071.23.

## 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 Chairman and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2019, an evaluation was carried out by our management, with the participation of our Chairman 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 Chairman and Chief Financial Officer concluded that, as of December 31, 2019, 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 Chairman 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, 2019, the Company's management, with the participation of the Company's Chairman 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, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, as stated in their report dated April 28, 2020 appearing on page F-2 of this annual report on Form 20-F.

/s/ YANG Jie

Name: YANG Jie

Title: Executive Director and Chairman

/s/ DONG Xin

Name: DONG Xin

Title: Executive Director, Vice President and Chief Financial Officer

**Changes in Internal Control Over Financial Reporting.** During 2019, we completed the implementation of internal controls designed to address the impact of IFRS 16. Other than as discussed above, 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 products and services provided by our principal accountants other than the audit fees, audit-related fees and tax fees in 2018 and 2019:

	<u>Audit Fees<sup>(1)</sup></u>	<u>Audit-Related Fees</u> <small>(in millions of RMB)</small>	<u>Tax Fees<sup>(2)</sup></u>	<u>All Other Fees<sup>(2)</sup></u>
2018	108	—	3	6
2019	111	—	2	10

- (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.**

Not applicable.

**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 seven 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 2019, 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 committee of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve to three or less, then in each case, the board of directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee and disclose such determination. 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	<a href="#">Articles of Association (as amended).</a> <sup>(11)</sup>
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	<a href="#">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).</a> <sup>(1)</sup>
2.3	<a href="#">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 Depositary, and all Owners and Beneficial Owners from time to time of American Depositary Receipts issued thereunder.</a> <sup>(2)</sup>
2.4	<a href="#">Description of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended</a>
4.1	<a href="#">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).</a> <sup>(3)</sup>
4.2	<a href="#">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).</a> <sup>(4)</sup>
4.3	<a href="#">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).</a> <sup>(5)</sup>
4.4	<a href="#">TD-SCDMA Network Capacity Leasing Agreement, dated December 29, 2008, between China Mobile Communications Corporation and China Mobile Limited (with English translation).</a> <sup>(5)</sup>
4.5	<a href="#">Telecommunications Services Cooperation Agreement, dated November 6, 2009, between China Mobile Communications Corporation and China Mobile Limited (with English translation).</a> <sup>(6)</sup>

- 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).<sup>(6)</sup>
- 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).<sup>(7)</sup>
- 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).<sup>(7)</sup>
- 4.9 Network Assets Leasing Agreement, dated August 18, 2011, between China Mobile Communications Corporation and China Mobile Limited (with English translation).<sup>(8)</sup>
- 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).<sup>(9)</sup>
- 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).<sup>(10)</sup>
- 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).<sup>(10)</sup>
- 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).<sup>(11)</sup>
- 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).<sup>(12)</sup>
- 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).<sup>(12)</sup>
- 4.16 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Anhui Co., Ltd. and China Tower Corporation Limited (with English translation).<sup>(12)</sup>
- 4.17 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Henan Co., Ltd. and China Tower Corporation Limited (with English translation).<sup>(12)</sup>
- 4.18 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Hebei Co., Ltd. and China Tower Corporation Limited (with English translation).<sup>(12)</sup>
- 4.19 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Guangdong Co., Ltd. and China Tower Corporation Limited (with English translation).<sup>(12)</sup>
- 4.20 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Jiangsu Co., Ltd. and China Tower Corporation Limited (with English translation).<sup>(12)</sup>

4.21	<a href="#"><u>Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Shandong Co., Ltd. and China Tower Corporation Limited (with English translation).</u></a> <sup>(12)</sup>
4.22	<a href="#"><u>Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Zhejiang Co., Ltd. and China Tower Corporation Limited (with English translation).</u></a> <sup>(12)</sup>
4.23	<a href="#"><u>Commercial Pricing Agreement, dated July 8, 2016, between China Mobile Communication Company Limited and China Tower Corporation Limited (with English translation).</u></a> <sup>(13)</sup>
4.24	<a href="#"><u>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).</u></a> <sup>(13)</sup>
4.25	<a href="#"><u>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).</u></a> <sup>(14)</sup>
4.26	<a href="#"><u>Supplementary Agreement to Commercial Pricing Agreement, dated January 31, 2018, between China Mobile Communication Co., Ltd. and China Tower Corporation Limited (with English translation).</u></a> <sup>(14)</sup>
4.27	<a href="#"><u>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).</u></a>
4.28	<a href="#"><u>2020 Network Assets Leasing Agreement, dated January 2, 2020, between China Mobile Limited and China Mobile Communications Group Co., Ltd. (with English translation).</u></a>
4.29	<a href="#"><u>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).</u></a>
4.30	<a href="#"><u>2020 Telecommunication Facilities Construction Services Agreement, dated January 2, 2020, between China Mobile Limited and China Mobile Communications Group Co., Ltd. (with English translation).</u></a>
8.1	<a href="#"><u>List of Major Subsidiaries.</u></a>
11.1	<a href="#"><u>Code of Ethics.</u></a> <sup>(3)</sup>
12.1	<a href="#"><u>Certification of Chairman pursuant to Rule 13a-14(a).</u></a>
12.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a).</u></a>
13.1	<a href="#"><u>Certification of Chairman pursuant to Rule 13a-14(b).</u></a>
13.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(b).</u></a>
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

(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 Depositary 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.

**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/ YANG Jie  
Name: YANG Jie  
Title: Executive Director and Chairman

Date: April 28, 2020

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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, 2019 and 2018, 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, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, 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 RMB745,917 million for the year ended December 31, 2019. 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 39 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 RMB95,858 million as of December 31, 2019. Due to volatility of the capital market in China, the Company identified that the carrying amount of its investment in SPD Bank had exceeded its market value as of December 31, 2019. 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 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) reconciling input data to supporting evidence, such as approved plans and budgets of SPD Bank; (iv) testing mathematical accuracy and considering the appropriateness of the cash flows included in the discounted cash flow model; and (v) 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, 2020

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	2019 Million	2018 (Note 5) Million	2017 (Note 5) Million
<b>Operating revenue</b>	<b>4</b>			
Revenue from telecommunications services		674,392	670,907	668,351
Revenue from sales of products and others		71,525	65,912	72,163
		<u>745,917</u>	<u>736,819</u>	<u>740,514</u>
<b>Operating expenses</b>				
Network operation and support expenses	5	175,810	200,007	192,340
Depreciation and amortization		182,818	154,154	150,295
Employee benefit and related expenses	6	102,518	93,939	85,513
Selling expenses		52,813	60,326	61,086
Cost of products sold		72,565	66,231	73,668
Other operating expenses	7	46,244	40,775	57,486
		<u>632,768</u>	<u>615,432</u>	<u>620,388</u>
<b>Profit from operations</b>		<u>113,149</u>	<u>121,387</u>	<u>120,126</u>
Other gains	8	4,029	2,906	2,389
Interest and other income	9	15,560	15,885	15,883
Finance costs	10	(3,246)	(144)	(210)
Income from investments accounted for using the equity method		12,641	13,861	9,949
<b>Profit before taxation</b>		<u>142,133</u>	<u>153,895</u>	<u>148,137</u>
<b>Taxation</b>	13(a)	<u>(35,342)</u>	<u>(35,944)</u>	<u>(33,723)</u>
<b>PROFIT FOR THE YEAR</b>		<u>106,791</u>	<u>117,951</u>	<u>114,414</u>

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

	Note	2019 Million	2018 Million	2017 Million
<b>Other comprehensive income for the year, net of tax:</b>				
<b>Items that will not be subsequently reclassified to profit or loss</b>				
Changes in the fair value of equity investments at fair value through other comprehensive income		(75)	(168)	—
Share of other comprehensive income of investments accounted for using the equity method		14	60	—
<b>Items that may be subsequently reclassified to profit or loss</b>				
Change in value of available-for-sale financial assets		—	—	(5)
Currency translation differences		683	1,160	(735)
Share of other comprehensive income/(loss) of investments accounted for using the equity method		428	1,188	(1,038)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>107,841</u>	<u>120,191</u>	<u>112,636</u>
<b>Profit attributable to:</b>				
Equity shareholders of the Company		106,641	117,781	114,279
Non-controlling interests		150	170	135
<b>PROFIT FOR THE YEAR</b>		<u>106,791</u>	<u>117,951</u>	<u>114,414</u>
<b>Total comprehensive income attributable to:</b>				
Equity shareholders of the Company		107,691	120,021	112,501
Non-controlling interests		150	170	135
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>107,841</u>	<u>120,191</u>	<u>112,636</u>
<b>Earnings per share – Basic</b>	14(a)	<u>RMB 5.21</u>	<u>RMB 5.75</u>	<u>RMB 5.58</u>
<b>Earnings per share – Diluted</b>	14(b)	<u>RMB 5.18</u>	<u>RMB 5.75</u>	<u>RMB 5.58</u>

The notes on pages F-17 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, 2019 Million	As of December 31, 2018 Million
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	674,832	666,496
Right-of-use assets	16(a)	74,308	—
Construction in progress	17	67,978	72,180
Land use rights and others	18	27,455	27,778
Goodwill	19	35,343	35,343
Other intangible assets		3,475	2,620
Investments accounted for using the equity method	21	155,228	145,325
Deferred tax assets	22	32,628	29,654
Financial assets at fair value through other comprehensive income	23	513	587
Restricted bank deposits	24	10,063	12,369
Other non-current assets	4(a)	17,551	8,442
		<u>1,099,374</u>	<u>1,000,794</u>
<b>Current assets</b>			
Inventories	25	7,338	8,857
Contract assets	4(a)	5,003	5,022
Accounts receivable	26	32,694	26,540
Other receivables	27	34,133	39,543
Prepayments and other current assets	27	26,708	27,002
Amount due from ultimate holding company	28	1,350	570
Prepaid income tax		1,278	1,959
Financial assets at fair value through profit or loss	23	114,259	76,425
Restricted bank deposits	24	371	9
Bank deposits	29	130,799	291,887
Cash and cash equivalents	30	175,933	57,302
		<u>529,866</u>	<u>535,116</u>
<b>Total assets</b>		<u><u>1,629,240</u></u>	<u><u>1,535,910</u></u>

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

	Note	As of December 31, 2019 Million	As of December 31, 2018 Million
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	31	164,818	190,847
Bills payable		2,896	3,221
Deferred revenue	32	57,825	63,185
Accrued expenses and other payables	33	182,368	195,572
Amount due to ultimate holding company	28	21,677	11,020
Income tax payable		9,815	10,553
Lease liabilities	3	22,668	—
		<u>462,067</u>	<u>474,398</u>
<b>Non-current liabilities</b>			
Lease liabilities – non-current	3	51,635	—
Deferred revenue – non-current	32	6,861	4,881
Deferred tax liabilities	22	1,388	822
		<u>59,884</u>	<u>5,703</u>
<b>Total liabilities</b>		<u>521,951</u>	<u>480,101</u>

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

	Note	As of December 31, 2019 Million	As of December 31, 2018 Million
<b>Equity</b>			
Share capital	34(a)	402,130	402,130
Reserves		<u>701,643</u>	<u>650,275</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>1,103,773</u>	<u>1,052,405</u>
<b>Non-controlling interests</b>		<u>3,516</u>	<u>3,404</u>
<b>Total equity</b>		<u>1,107,289</u>	<u>1,055,809</u>
<b>Total equity and liabilities</b>		<u>1,629,240</u>	<u>1,535,910</u>

The notes on pages F-17 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
<b>As of January 1, 2017</b>	402,130	(265,308)	72	609	305,205	536,313	979,021	3,117	982,138
<b>Changes in equity for 2017:</b>									
Profit for the year	—	—	—	—	—	114,279	114,279	135	114,414
Change in value of available-for-sale financial assets	—	(5)	—	—	—	—	(5)	—	(5)
Currency translation differences	—	—	—	(735)	—	—	(735)	—	(735)
Share of other comprehensive loss of investments accounted for using the equity method	—	(1,038)	—	—	—	—	(1,038)	—	(1,038)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>(1,043)</b>	<b>—</b>	<b>(735)</b>	<b>—</b>	<b>114,279</b>	<b>112,501</b>	<b>135</b>	<b>112,636</b>
Dividends approved in respect of previous year (note 34(b)(ii))	—	—	—	—	—	(22,204)	(22,204)	(7)	(22,211)
Dividends declared in respect of current year (note 34(b)(i))	—	—	—	—	—	(83,832)	(83,832)	—	(83,832)
Transfer to PRC statutory reserves (note 34(c)(ii))	—	—	—	—	21,808	(21,808)	—	—	—
Others	—	—	—	—	150	—	150	—	150
<b>As of December 31, 2017</b>	<b>402,130</b>	<b>(266,351)</b>	<b>72</b>	<b>(126)</b>	<b>327,163</b>	<b>522,748</b>	<b>985,636</b>	<b>3,245</b>	<b>988,881</b>

The notes on pages F-17 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								
	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
<b>As of December 31, 2017</b>									
<b>(As previously reported)</b>	402,130	(266,351)	72	(126)	327,163	522,748	985,636	3,245	988,881
Changes in accounting policies (note 3(a))	—	548	—	—	1,181	4,802	6,531	—	6,531
<b>As of January 1, 2018</b>									
<b>(As restated)</b>	402,130	(265,803)	72	(126)	328,344	527,550	992,167	3,245	995,412
<b>Changes in equity for 2018:</b>									
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 34(b)(ii))	—	—	—	—	—	(27,060)	(27,060)	(10)	(27,070)
Dividends declared in respect of current year (note 34(b)(i))	—	—	—	—	—	(32,870)	(32,870)	—	(32,870)
Transfer to PRC statutory reserves (note 34(c)(ii))	—	—	—	—	19,148	(19,148)	—	—	—
Others	—	—	—	—	147	—	147	(1)	146
<b>As of December 31, 2018</b>	<u>402,130</u>	<u>(264,723)</u>	<u>72</u>	<u>1,034</u>	<u>347,639</u>	<u>566,253</u>	<u>1,052,405</u>	<u>3,404</u>	<u>1,055,809</u>
<b>As of December 31, 2018</b>									
<b>(As previously reported)</b>	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(d))	—	—	—	—	(336)	(2,770)	(3,106)	—	(3,106)
<b>As of January 1, 2019</b>									
<b>(As restated)</b>	402,130	(264,723)	72	1,034	347,303	563,483	1,049,299	3,404	1,052,703
<b>Changes in equity for 2019:</b>									
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 34(b)(ii))	—	—	—	—	—	(25,059)	(25,059)	(38)	(25,097)
Dividends declared in respect of current year (note 34(b)(i))	—	—	—	—	—	(28,206)	(28,206)	—	(28,206)
Transfer to PRC statutory reserves (note 34(c)(ii))	—	—	—	—	1,929	(1,929)	—	—	—
Others	—	—	—	—	48	—	48	—	48
<b>As of December 31, 2019</b>	<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>

The notes on pages F-17 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	2019 Million	2018 Million	2017 Million
<b>Operating activities</b>				
Profit before taxation		142,133	153,895	148,137
Adjustments for:				
- Depreciation and amortization		182,818	154,621	150,741
- (Gain)/loss on disposal of property, plant and equipment	7	(64)	8	8
- Write-off and impairment of property, plant and equipment	7	2,975	1,250	12,593
- Credit impairment losses	7	5,761	4,635	3,392
- Write-down of inventories	7	171	155	297
- Interest and other income	9	(15,560)	(15,885)	(15,883)
- Finance costs	10	3,246	144	210
- Dividend income from equity investments at fair value through other comprehensive income		(2)	—	—
- Income from investments accounted for using the equity method		(12,641)	(13,861)	(9,949)
- Net exchange loss/(gain)		67	(46)	(27)
<b>Operating cash flows before changes in working capital</b>		<b>308,904</b>	<b>284,916</b>	<b>289,519</b>
Decrease /(increase) in inventories		1,348	1,212	(1,690)
Increase in contract assets	4(a)	(64)	(874)	—
Increase in contract cost	4(a)	(9,012)	(2,021)	—
Increase in accounts receivable		(11,981)	(7,058)	(8,367)
(Increase)/decrease in other receivables		(1,364)	1,784	648
Increase in prepayments and other current assets		(3,075)	(2,999)	(6,330)
Increase in amount due from ultimate holding company		(780)	(348)	—
Decrease/(increase) in deposited customer reserves	24	6,447	(4,835)	(3,047)
Decrease in accounts payable		(3,334)	(16,400)	(1,246)
Increase in bills payable		794	873	1,695
(Decrease)/increase in deferred revenue	32	(3,380)	(19,588)	1,811
Increase in accrued expenses and other payables		508	4,613	9,956
(Decrease)/increase in amount due to ultimate holding company		(107)	112	24
<b>Cash generated from operations</b>		<b>284,904</b>	<b>239,387</b>	<b>282,973</b>
Tax paid				
- PRC enterprise income tax paid		(37,300)	(33,003)	(37,324)
- Hong Kong profits tax paid		(13)	(233)	(135)
<b>Net cash generated from operating activities</b>		<b>247,591</b>	<b>206,151</b>	<b>245,514</b>

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

	Note	2019 Million	2018 Million	2017 Million
<b>Investing activities</b>				
Payment for property, plant and equipment		(202,365)	(192,395)	(193,015)
Payment for land use rights		(355)	(580)	(590)
Payment for other intangible assets		(2,245)	(2,189)	(638)
Proceeds from disposal of property, plant and equipment		423	8	287
Decrease/(increase) in bank deposits		157,709	(11,578)	53,889
(Increase)/decrease in restricted bank deposits (excluding deposited customer reserves)	24	(4,503)	(348)	578
Interest received		11,550	11,810	15,204
Payment for investments accounted for using the equity method		(161)	(375)	(168)
Dividends received from investments accounted for using the equity method	21	2,299	691	847
Purchase of available-for-sale financial assets		—	—	(106,296)
Maturity of available-for-sale financial assets		—	—	75,550
Purchase of financial assets at fair value through profit or loss	23	(161,343)	(116,810)	—
Maturity of financial assets at fair value through profit or loss	23	129,505	110,087	—
Purchase of financial assets at fair value through other comprehensive income	23	—	(711)	—
Short-term loans granted by China Mobile Finance and payment for other investments		(11,464)	(16,210)	(14,417)
Maturity of short-term loans granted by China Mobile Finance and other investments		16,810	6,367	4,650
Receipt of consideration from China Tower		—	—	57,585
Others		(66)	2	1
<b>Net cash used in investing activities</b>		<u>(64,206)</u>	<u>(212,231)</u>	<u>(106,533)</u>

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

	Note	2019 Million	2018 Million	2017 Million
<b>Financing activities</b>				
Interest paid in relation to short-term deposits placed by ultimate holding company		(187)	(142)	(247)
Dividends paid to the Company's equity shareholders	34(b)	(53,265)	(59,930)	(106,036)
Dividends paid to non-controlling shareholders of subsidiaries		(38)	(10)	(7)
Short-term deposits placed by ultimate holding company	35(a)	21,637	10,873	8,611
Repayment of short-term deposits placed by ultimate holding company	35(a)	(10,873)	(8,611)	(5,552)
Repayment of bonds		—	—	(5,000)
Repayment of principal and interest of lease liabilities		(22,175)	—	—
<b>Net cash used in financing activities</b>		<u>(64,901)</u>	<u>(57,820)</u>	<u>(108,231)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		118,484	(63,900)	30,750
<b>Cash and cash equivalents at beginning of year</b>		57,302	120,636	90,413
<b>Effect of changes in foreign exchange rate</b>		147	566	(527)
<b>Cash and cash equivalents at end of year</b>	30	<u>175,933</u>	<u>57,302</u>	<u>120,636</u>

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

**Significant non-cash transactions**

The Group recorded payables of RMB64,480 million (2018: RMB74,816 million; 2017: RMB100,584 million) due to equipment suppliers as of December 31, 2019 for additions of construction in progress during the year then ended. In addition, the Group recorded lease liabilities of RMB13,219 million (2018: nil; 2017: nil) as of December 31, 2019 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 28), the newly generated lease liabilities arising from the adoption of IFRS 16 in current year and repayment of the related principal and interest associated with lease liabilities.

The notes on pages F-17 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 Mainland China and in Hong Kong (for the purpose of preparing the consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan). The Company’s immediate holding company is China Mobile Hong Kong (BVI) Limited (incorporated in British Virgin Islands), and the Company’s ultimate holding company is China Mobile Communications Group Co., Ltd. (“CMCC”, incorporated in Mainland China). The address of the Company’s registered office is 60<sup>th</sup> 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 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, 2020.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation

The consolidated financial statements for the year ended December 31, 2019 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 financial assets at fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL") which are carried at fair value.

All of the new or amended standards or interpretations that effective for the year beginning on January 1, 2019 have been applied for the first time by the Group. The impact of adopting these new or amended standards or interpretations is 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 discussed in note 39.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (i) Subsidiaries

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

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

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

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated 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 is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (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 in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group has applied IFRS 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. 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 or joint ventures would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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

## 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 on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)). Each unit or groups of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose. Goodwill is monitored at the operating segment level.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

### (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 assets' estimated useful lives, from the date they are available for use. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized where their useful lives are assessed to be indefinite. The useful life of an intangible asset that is not being amortized is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. Otherwise, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

## 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 item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	8 - 30 years
Telecommunications transceivers, switching centers, transmission and other network equipment	5 - 10 years
Office equipment, furniture, fixtures and others	3 - 10 years

Both the assets' useful lives and residual values, if any, are reviewed annually.

### (h) 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 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Leases (Continued)

#### (i) As lessee (Continued)

##### **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.

##### **Other lease expense**

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. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

## 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;
- goodwill; 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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

From January 1, 2018 onwards, 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.

- 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.
- 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.
- 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Investments and other financial assets (Continued)

#### Impairment

From January 1, 2018, 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 receivable due. When recoveries are made, the recovered amount is recognized in profit or loss.

#### Accounting policies applied until December 31, 2017

The Group has retrospectively applied IFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until December 31, 2017, the Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more loss events and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

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

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for such equity securities are not reversed.
- For debt instruments classified as available-for-sale financial assets, if any impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss. For equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is reclassified from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.
- For trade and other current receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Investments and other financial assets (Continued)

#### Accounting policies applied until December 31, 2017 (Continued)

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

### (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(l)).

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

### (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 from 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 and revenue deferred for unredeemed point rewards under customer point reward program (“Reward Program”).

### (q) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.
- (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 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)

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

#### Accounting policies applied until December 31, 2017

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

- (i) revenue derived from voice and data services are recognized when the service is rendered;
- (ii) sales of products are recognized when the title is passed to the buyer;
- (iii) for offerings which include the provision of services and sale of mobile handset, the Group determines the revenue from the sale of the mobile handset by deducting the fair value of the service element from the total contract consideration; and
- (iv) for transactions which offer customer points reward when services are provided, the consideration allocated to the customer points reward is based on its fair value which is deducted from revenue and recorded as deferred revenue when the rewards are granted and recognized as revenue when the points are redeemed or expired.

### (s) Interest income

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

### (t) Income tax

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

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

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

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

## 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, unless it is probable that they will reverse in the future.

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Employee benefits (Continued)

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

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

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

#### (ii) Share-based payments

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Employee benefits (Continued)

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

#### (iii) Termination benefits

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

### (w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) 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.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of overseas entities are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Balance sheet items are translated into RMB at the exchange rates ruling at the balance sheet date. The resulting 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)

### (y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in note 2(y)(a); or
  - (vii) A person identified in note 2(y)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Segment reporting

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. For the years presented, the Group as a whole is an operating segment since the Group is only engaged in telecommunications and related businesses. No geographical information has been disclosed as the majority of the Group's operating activities are carried out in Mainland China. The Group's assets located and operating revenue derived from activities outside Mainland China are less than 5% of the Group's assets and operating revenue, respectively.

### (aa) Dividend distribution

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

### 3 CHANGES IN ACCOUNTING POLICIES

The following new standards, annual improvements and interpretations are mandatory for the first time for the Group's financial year beginning on January 1, 2019 and are applicable for the Group:

IFRS 16 "Leases"

IFRIC – Int 23 "Uncertainty over income tax treatments"

Amendments to IAS 28 "Investments in associates and joint ventures"

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS 19 "Employee benefits"

Amendments to IFRS 9 "Financial instruments"

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", details of which are set out in note 3(b) and 3(c), respectively.

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, details of which are set out in note 3(d).

In addition, the IASB also published a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning on or after January 1, 2020 and have not been early adopted by the Group (see note 40). 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.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Impact on the financial statements as of January 1, 2018

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the Group's financial statements as of January 1, 2018.

As explained in note 3(b), in accordance with the transitional provisions, IFRS 9 was adopted without restating the comparative figures. And as explained in note 3(c), IFRS 15 was generally adopted using the modified retrospective approach without restating comparative figures. The reclassifications and the adjustments are therefore recognized in the balance sheets on January 1, 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail in note 3(b) and note 3(c).

#### Consolidated Balance Sheets (Extract)

	December 31, 2017 (As previously reported) Million	Changes in accounting policy – IFRS 9 Million	Changes in accounting policy – IFRS 15 Million	January 1, 2018 (As restated) Million
<b>Assets</b>				
<b>Non-current assets</b>				
Investments accounted for using the equity method	132,499	(2,194)	—	130,305
Deferred tax assets	33,343	24	(2,879)	30,488
Financial assets at fair value through other comprehensive income	—	44	—	44
Available-for-sale financial assets	44	(44)	—	—
Other non-current assets	—	—	6,469	6,469
<b>Current assets</b>				
Contract assets	—	—	4,139	4,139
Accounts receivable	24,153	(195)	—	23,958
Financial assets at fair value through profit or loss	—	65,630	—	65,630
Available-for-sale financial assets	65,630	(65,630)	—	—
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accrued expenses and other payables	190,866	—	(782)	190,084
Deferred revenue	85,282	—	(385)	84,897
<b>Equity</b>				
Reserves	583,506	(2,365)	8,896	590,037

#### (b) IFRS 9 “Financial Instruments”

IFRS 9 replaces the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” that mainly affect the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets of the Group.

The adoption of IFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 2(l) above. In accordance with the transitional provisions, comparative figures have not been restated.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (b) IFRS 9 “Financial Instruments (Continued)”

##### Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), the Group’s management assessed the classification of the financial assets according to their business models and classified its financial instruments into the appropriate IFRS 9 categories.

##### (i) Reclassification of debt investment from available-for-sale financial assets to FVPL

In accordance with IFRS 9, the Group assessed and reclassified wealth management products issued by banks (“WMPs”) from available-for-sale financial assets to financial assets at FVPL (RMB65,630 million as of January 1, 2018).

##### (ii) Equity investments previously classified as available-for-sale financial assets that are not held for trading

For long-term investments, which are not held for trading and not expected to be sold in the short term, the Group elected to present in other comprehensive income for the changes in their fair value. As a result, RMB44 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and accumulated fair value gains of RMB19 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on January 1, 2018, both of which are included in capital reserves.

##### Impairment

##### (i) Accounts receivable and contract assets

Upon the adoption of the simplified expected credit loss model, the related retained profits were reduced by RMB165 million and the PRC statutory reserves were reduced by RMB6 million as of January 1, 2018.

##### (ii) Other financial assets at amortized cost

Other financial assets at amortized cost include cash and cash equivalents, bank deposits and other receivables, etc. They are considered to be of low credit risk and thus management considers that the expected credit loss is insignificant.

##### Impact from the adoption of IFRS 9 by investments accounted for using the equity method

Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”), a major associate of the Group has adopted IFRS 9 for the year beginning January 1, 2018 without restating the comparative figures in accordance with the transitional provisions stipulated in IFRS 9. Accordingly, the balance of investment accounted for using the equity method, the retained profits and PRC statutory reserves of the Group as of January 1, 2018 were reduced by RMB2,194 million, RMB2,194 million, and RMB548 million, respectively; while the other comprehensive income of the Group as of the same date was increased by RMB548 million.

#### (c) IFRS 15 “Revenue from Contracts with Customers”

The adoption of IFRS 15 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 2(r) above.

##### (i) The impact on the Group’s equity

##### Accounting for multiple performance obligations

Prior to the adoption of IFRS 15, the consideration received from offerings which include the provision of services and sale of mobile handset, was allocated to each element using the residual method. Upon the adoption of IFRS 15, the total consideration from arrangement with multiple performance obligations, such as mobile services, telecommunication related products (such as handsets), customer point rewards and/or other promotional goods/services, is allocated to each performance obligation based on their relative stand-alone selling prices.

In addition, prior to the adoption of IFRS 15, certain subsidies, payable to third party agents in respect of customer contracts obtained and ultimately enjoyed by end customers, were expensed as incurred. Upon the adoption of IFRS 15, such payments via the third party agents are qualified as consideration payable to a customer and accounted for as a reduction of the transaction price.

To reflect these changes in policy, as of January 1, 2018, the Group recognized contract assets of RMB5,654 million, net of a related impairment provision amounting to RMB303 million, reduced its contract liabilities and receipts-in-advance by RMB1,167 million, respectively. Accordingly, the impact on the Group’s equity as of the same date were an increase of RMB4,188 million of retained profits, and an increase of RMB1,025 million of the PRC statutory reserves, respectively.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (c) IFRS 15 “Revenue from Contracts with Customers” (Continued)

##### (i) The impact on the Group’s equity (Continued)

###### Accounting for costs incurred to obtain a contract and to fulfil a contract

Upon the adoption of IFRS 15, the Group recognizes contract costs for incremental commission expenses paid to the agents in conjunction with obtaining customer contracts, which were previously expensed as incurred. And such cost is amortized using the straight-line method over the expected duration of the customer contract. When the expected amortization period is one year or less, the Group utilizes the practical expedient and expenses the costs as incurred.

Upon the adoption of IFRS 15, the Group recognized contract costs incurred to fulfil a contract for the costs directly related to the Group’s telecommunications service contracts and are not within the scope of another accounting standard, which were previously expensed as incurred. Such cost is amortized using the straight-line method over the expected duration of the customer contract.

To reflect the above changes in policy, as of January 1, 2018, the Group recognized contract costs of RMB4,954 million. Accordingly, the impact on the Group’s equity as of the same date were an increase of RMB2,973 million of retained profits, and an increase of RMB710 million of the PRC statutory reserves, respectively.

##### (ii) Summary of effects arising from initial application of IFRS 15

The following table shows the impact from the adoption of IFRS 15 relative to IAS 18 “Revenue” on certain impacted financial statement line items in the Group’s consolidated statements of comprehensive income for the year ended December 31, 2018 and consolidated balance sheets as of December 31, 2018. Line items that were not affected by the initial application have not been included. The impacted areas are consistent with those disclosed in note 3(c)(i).

###### Consolidated Statements of Comprehensive Income (Extract)

	2018		
	As reported Million	Adjustments Million	Amounts without adoption of IFRS 15 Million
<b>Operating revenue</b>			
Revenue from telecommunications services	670,907	10,833	681,740
Revenue from sales of products and others	65,912	(5,821)	60,091
<b>Operating expenses</b>			
Network operation and support expenses	200,007	86	200,093
Selling expenses	60,326	6,048	66,374
Cost of products sold	66,231	847	67,078
Other operating expenses	40,775	(32)	40,743

###### Consolidated Balance Sheets (Extract)

	As of December 31, 2018		
	As reported Million	Adjustments Million	Balances without adoption of IFRS 15 Million
<b>Assets</b>			
<b>Non-current assets</b>			
Deferred tax assets	29,654	3,301	32,955
Other non-current assets	8,442	(8,442)	—
<b>Current assets</b>			
Contract assets	5,022	(5,022)	—
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses and other payables	195,572	68	195,640
Deferred revenue	63,185	177	63,362
<b>Equity</b>			
Reserves	650,275	(10,408)	639,867

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (d) 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.

##### (ii) The reconciliation between the operating lease commitments disclosed as of December 31, 2018 and the lease liabilities recognized as of January 1, 2019 is as follows:

	Note	Million
Operating lease commitments disclosed as of December 31, 2018		220,301
Discounted using the lessee’s incremental borrowing rate at the date of initial application		202,651
Less: Short-term leases and low-value leases recognized on a straight-line basis as expense		(5,827)
Contracts reassessed as service arrangement	(i)	(90,520)
Variable lease payments not recognized as lease liabilities	(ii)	(26,097)
Lease liabilities recognized as of January 1, 2019		<u>80,207</u>
Of which:		
Current portion		19,917
Non-current portion		60,290

Notes:

- (i) Contracts reassessed as service arrangement primarily comprise non-lease component of lease contracts of telecommunications towers and related assets, lines and network assets, etc..
- (ii) Variable lease payments not recognized as lease liabilities primarily comprise variable lease payments not based on an index or a rate of lease contracts of telecommunications towers and related assets.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (d) IFRS 16 “Leases” (Continued)

##### (iii) 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
<b>Assets</b>			
<b>Non-current assets</b>			
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
<b>Current assets</b>			
Prepayments and other current assets	27,002	(1,811)	25,191
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Lease liabilities	—	19,917	19,917
<b>Non-current liabilities</b>			
Lease liabilities – non-current	—	60,290	60,290
Deferred tax liabilities	822	(16)	806
<b>Equity</b>			
Reserves	650,275	(3,106)	647,169

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (d) IFRS 16 “Leases” (Continued)

##### (iii) Summary of effects arising from initial application of IFRS 16 (Continued)

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

	2019 Million	2018 Million	2017 Million
<b>Revenue from telecommunications services</b>			
Voice services	88,624	108,083	156,918
Data services			
-SMS & MMS	28,648	28,800	28,058
-Wireless data traffic	384,999	383,297	364,906
-Wireline broadband	68,835	54,285	39,731
-Applications and information services	82,543	75,701	60,655
Others	20,743	20,741	18,083
	<u>674,392</u>	<u>670,907</u>	<u>668,351</u>
<b>Revenue from sales of products and others</b>	<u>71,525</u>	<u>65,912</u>	<u>72,163</u>
	<u>745,917</u>	<u>736,819</u>	<u>740,514</u>

The majority of the Group’s operating revenue is from contracts with customers, the remaining is not material.

#### 4 OPERATING REVENUE (CONTINUED)

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

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

	Note	As of December 31, 2019 Million	As of December 31, 2018 Million
Contract assets	(i)	6,567	6,489
Less: current portion		<u>(5,003)</u>	<u>(5,022)</u>
Non-current portion recorded in other non-current assets		1,564	1,467
Contract costs recorded in other non-current assets	(ii)	<u>15,987</u>	<u>6,975</u>
Other non-current assets		<u>17,551</u>	<u>8,442</u>

Note:

##### (i) Changes in contract assets:

	Contract assets	
	Gross amount Million	Loss allowance Million
As of January 1, 2019	6,831	(342)
Increase resulting from satisfaction of performance obligation	6,886	—
Reclassified to accounts receivable	(6,834)	—
Net impairment loss of contract assets	—	26
As of December 31, 2019	<u>6,883</u>	<u>(316)</u>

##### (ii) Changes in contract costs

	Contract costs	
	2019 Million	2018 Million
As of January 1	6,975	4,954
Addition	24,149	9,711
Amortization for the year	<u>(15,137)</u>	<u>(7,690)</u>
As of December 31	<u>15,987</u>	<u>6,975</u>

#### 4 OPERATING REVENUE (CONTINUED)

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

Note (Continued):

##### (ii) Changes in contract costs (Continued)

Contract costs primarily include sales commissions payable to third party agents and costs related to connecting a customer to the Group's network for the provision of telecommunications services. The increase of contract costs was mainly due to the Group's continuing investment in the industrial informatization and household market.

##### (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	
	2019 Million	2018 Million
As of January 1	62,812	81,147
Opening balance recognized in the consolidated statement of comprehensive income for the year	(56,409)	(66,370)
Other changes for the year	51,028	48,035
As of December 31	<u>57,431</u>	<u>62,812</u>

#### 4 OPERATING REVENUE (CONTINUED)

##### (c) Unsatisfied long-term contracts

The unsatisfied performance obligation of the Group is mainly relating to telecommunications services. The Group generally enters into service contracts with customers monthly or for a fixed term, and bills the customers on monthly basis 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

For the year ended December 31, 2019, to better reflect the cost structure, the Group optimized the presentation of operating expenses. The changes in presentation have no effect on reported operating revenue, operating expenses or net profits for any of the years/periods presented. The comparative figures have been reclassified to conform to current year's presentation.

The new presentation classifies operating expenses into network operation and support expenses, depreciation and amortization, employee benefit and related expenses, selling expenses, cost of products sold and other operating expenses.

Details of network operation and support expenses are as follows:

	Note	2019 Million	2018 Million	2017 Million
Maintenance		53,216	54,569	55,737
Power and utilities expenses		32,837	32,032	30,518
Operation support and related expenses		39,764	41,087	36,612
Charges for use of tower assets	(i)	25,518	38,981	36,946
Charges for use of lines and network assets	(ii)	7,715	8,489	9,390
Charges for use of other assets	(ii)	7,492	16,102	15,151
Others		9,268	8,747	7,986
		<u>175,810</u>	<u>200,007</u>	<u>192,340</u>

Note:

- (i) For the year ended December 31, 2019, charges for use of tower assets included the non-lease component charges (maintenance, utility connection and telecommunications equipment room and related support services) and the lease component charges of variable lease payments not based on an index or a rate, which are recorded in profit or loss as incurred.
- (ii) For the year ended December 31, 2019, charges for use of lines and network assets and other assets mainly included the non-lease components charges and the lease components charges, such as short-term leases payments, leases payments of low-value assets and variable leases 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, 2019, short-term leases payments and leases payments of low-value assets amounted to RMB6,757 million, and variable leases payments not based on an index or a rate, which are recorded in profit or loss as incurred, amounted to RMB8,186 million.

## 6 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2019 Million	2018 Million	2017 Million
Salaries, wages, labor service expenses and other benefits	86,610	81,843	74,427
Retirement costs: contributions to defined contribution retirement plans	15,908	12,096	11,086
	<u>102,518</u>	<u>93,939</u>	<u>85,513</u>

## 7 OTHER OPERATING EXPENSES

	Note	2019 Million	2018 (Note 5) Million	2017 (Note 5) Million
Interconnection		21,037	20,692	21,762
Credit impairment losses		5,761	4,635	3,392
Write-down of inventories		171	155	297
(Gain)/loss on disposal of property, plant and equipment		(64)	8	8
Write-off and impairment of property, plant and equipment		2,975	1,250	12,593
Auditors' remuneration				
- audit services	(i)	111	108	107
- tax services		2	3	3
- other services		10	6	12
Others	(ii)	16,241	13,918	19,312
		<u>46,244</u>	<u>40,775</u>	<u>57,486</u>

Note:

- (i) 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 (2018: RMB22 million; 2017: RMB22 million).
- (ii) Others consist of administrative expenses, taxes and surcharges, and other miscellaneous expenses.

**8 OTHER GAINS**

	2019 Million	2018 Million	2017 Million
Compensation income	915	1,184	1,118
Others	3,114	1,722	1,271
	<u>4,029</u>	<u>2,906</u>	<u>2,389</u>

**9 INTEREST AND OTHER INCOME**

	2019 Million	2018 Million	2017 Million
Interest income	10,065	11,443	12,884
Fair value gains recognized, net	5,495	4,442	2,999
	<u>15,560</u>	<u>15,885</u>	<u>15,883</u>

**10 FINANCE COSTS**

	2019 Million	2018 Million	2017 Million
Interest for lease liabilities	3,052	—	—
Interest on short-term deposits received (note 35(a))	187	142	21
Interest on bonds	—	—	187
Others	7	2	2
	<u>3,246</u>	<u>144</u>	<u>210</u>

## 11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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
<b>Executive directors (Expressed in RMB)</b>				
YANG Jie <sup>1</sup>	—	461	169	630
SHANG Bing <sup>2</sup>	—	1,354	89	1,443
LI Yue <sup>3</sup>	—	1,585	187	1,772
Wang Yuhang <sup>4</sup>	—	415	163	578
DONG Xin <sup>5</sup>	—	1,469	195	1,664
	—	5,284	803	6,087
<b>Independent non-executive directors (Expressed in Hong Kong dollar)</b>				
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 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
<b>Executive directors (Expressed in RMB)</b>				
YANG Jie <sup>1</sup>	—	—	—	—
SHANG Bing <sup>2</sup>	—	867	134	1,001
LI Yue <sup>3</sup>	—	1,000	163	1,163
SHA Yuejia <sup>6</sup>	—	745	104	849
DONG Xin <sup>5</sup>	—	890	157	1,047
	—	3,502	558	4,060
<b>Independent non-executive directors (Expressed in Hong Kong dollar)</b>				
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**	—	—	—	—
	1,509	—	—	1,509

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

Directors' remuneration during 2017 is as follows:

	Directors' fees '000	Salaries, allowances and bonuses '000	Contributions relating to social insurance, housing fund and retirement scheme '000	2017 Total '000
<b>Executive directors (Expressed in RMB)</b>				
SHANG Bing <sup>2</sup>	—	781	123	904
LI Yue (Chief Executive Officer) <sup>3</sup>	—	781	151	932
LIU Aili <sup>7</sup>	—	592	110	702
SHA Yuejia <sup>6</sup>	—	702	148	850
DONG Xin <sup>5</sup>	—	695	145	840
	<u>—</u>	<u>3,551</u>	<u>677</u>	<u>4,228</u>
<b>Independent non-executive directors (Expressed in Hong Kong dollar)</b>				
WONG Kwong Shing, Frank <sup>***</sup>	470	—	—	470
CHENG Mo Chi, Moses	460	—	—	460
CHOW Man Yiu, Paul	455	—	—	455
YIU Kin Wah, Stephen <sup>*</sup>	255	—	—	255
	<u>1,640</u>	<u>—</u>	<u>—</u>	<u>1,640</u>

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

<sup>2</sup> Mr. SHANG Bing resigned from his position as an executive director and the chairman of the Company with effect from March 4, 2019.

<sup>3</sup> Mr. LI Yue resigned from his position as an executive director and chief executive officer of the Company with effect from October 11, 2019.

<sup>4</sup> Mr. WANG Yuhang was appointed as an executive director of the Company with effect from October 24, 2019.

<sup>5</sup> Mr. DONG Xin was appointed as an executive director of the Company with effect from March 23, 2017.

<sup>6</sup> Mr. SHA Yuejia resigned from his position as executive director of the Company with effect from May 17, 2018.

<sup>7</sup> Mr. LIU Aili resigned from his position as executive director of the Company with effect from September 29, 2017.

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

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

In 2017, 2018 and 2019, executive directors of the Company voluntarily waived their directors' fees.

The unpaid portion of executive directors' performance related bonuses for 2019 will be determined based on the evaluation conducted in 2020, and the additional bonuses related to their term of service will be determined based on the evaluation conducted upon the completion of three-year evaluation period. Directors' remuneration paid during 2019 included directors' performance related bonuses and additional bonuses related to their term of service for previous years determined and paid during the year.

The Company's senior management's remuneration level during 2019, including basic remuneration for the year, performance related bonuses for prior year and additional bonuses related to their three-year term of service, was within the range between RMB1,500,000 to RMB2,000,000.

## 12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2017, 2018 and 2019, none of the five individuals with the highest emoluments in the Group are directors or senior management. The emoluments payable to the five individuals with highest emoluments during 2017, 2018 and 2019 are as follows:

	2019 '000	2018 '000	2017 '000
Salaries, allowances and benefits in kind	6,592	6,579	5,259
Performance related bonuses	4,314	4,208	4,014
Retirement scheme contributions	187	156	158
	<u>11,093</u>	<u>10,943</u>	<u>9,431</u>

The emoluments fell within the following bands:

Emolument bands	2019 Number of individuals	2018 Number of individuals	2017 Number of individuals
1,500,001—2,000,000	—	—	3
2,000,001—2,500,000	<u>5</u>	<u>5</u>	<u>2</u>

## 13 TAXATION

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

	Note	2019 Million	2018 Million	2017 Million
<b>Current tax</b>				
Provision for the PRC enterprise income tax on the estimated taxable profits for the year	(i)	36,989	34,395	36,945
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(ii)	<u>269</u>	<u>275</u>	<u>260</u>
		<u>37,258</u>	<u>34,670</u>	<u>37,205</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences, net (note 22)		<u>(1,916)</u>	<u>1,274</u>	<u>(3,482)</u>
		<u>35,342</u>	<u>35,944</u>	<u>33,723</u>

Note:

- (i) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2018: 25%; 2017: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended December 31, 2019. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2018: 15%; 2017: 15%).
- (ii) The provision for Hong Kong profits tax is calculated at 16.5% (2018: 16.5%; 2017: 16.5%) of the estimated assessable profits for the year ended December 31, 2019.
- (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) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2019 Million	2018 Million	2017 Million
Profit before taxation	142,133	153,895	148,137
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (Note)	35,533	38,474	37,034
Tax effect of non-taxable items			
– Income from investments accounted for using the equity method	(3,160)	(3,465)	(2,487)
– Interest and other income	(75)	(131)	(41)
Tax effect of non-deductible expenses on the PRC operations	1,211	604	772
Tax effect of non-deductible expenses on Hong Kong operations	114	85	70
Rate differential of certain PRC operations (note 13(a)(i))	(930)	(1,835)	(2,317)
Rate differential of Hong Kong operations (note 13(a)(ii))	(177)	(189)	(182)
Tax effect of deductible temporary difference for which no deferred tax asset was recognized	668	1,414	154
Tax effect of deductible tax loss for which no deferred tax asset was recognized	2,019	1,267	818
Others	139	(280)	(98)
Taxation	<u>35,342</u>	<u>35,944</u>	<u>33,723</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 (charged)/credited relating to components of other comprehensive income is as follows:

	Before tax Million	2019 Tax charged Million	After tax Million	Before tax Million	2018 Tax charged Million	After tax Million	Before tax Million	2017 Tax credited Million	After tax Million
Change in value of available-for-sale financial assets	—	—	—	—	—	—	(7)	2	(5)
Changes in value of financial assets at FVOCI	(74)	(1)	(75)	(168)	—	(168)	—	—	—
Currency translation differences	683	—	683	1,160	—	1,160	(735)	—	(735)
Share of other comprehensive income/(loss) of investments accounted for using the equity method	442	—	442	1,248	—	1,248	(1,038)	—	(1,038)
<b>Other comprehensive income/ (loss)</b>	<u>1,051</u>	<u>(1)</u>	<u>1,050</u>	<u>2,240</u>	<u>—</u>	<u>2,240</u>	<u>(1,780)</u>	<u>2</u>	<u>(1,778)</u>
Current tax		—			—			—	
Deferred tax		(1)			—			2	
		<u>(1)</u>			<u>—</u>			<u>2</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 RMB106,641 million (2018: RMB117,781 million; 2017: RMB114,279 million) and the weighted average number of 20,475,482,897 shares (2018: 20,475,482,897 shares; 2017: 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 RMB106,050 million (2018: RMB117,781 million; 2017: RMB114,279 million) and the weighted average number of 20,475,482,897 shares (2018: 20,475,482,897 shares; 2017: 20,475,482,897 shares) in issue during the year.

	2019 Million	2018 Million	2017 Million
Profit attributable to equity shareholders of the Company used in calculating basic earnings per share	106,641	117,781	114,279
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>106,050</u>	<u>117,781</u>	<u>114,279</u>

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
<b>Cost:</b>				
<b>As of January 1, 2018</b>	147,776	1,421,968	23,787	1,593,531
Transferred from construction in progress	7,624	160,654	1,616	169,894
Other additions	257	465	1,504	2,226
Disposals	(18)	(1,304)	(118)	(1,440)
Written-off	(323)	(33,168)	(1,490)	(34,981)
Exchange differences	135	236	2	373
<b>As of December 31, 2018</b>	<u>155,451</u>	<u>1,548,851</u>	<u>25,301</u>	<u>1,729,603</u>
<b>As of January 1, 2019</b>	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
<b>As of December 31, 2019</b>	<u>161,490</u>	<u>1,608,355</u>	<u>25,917</u>	<u>1,795,762</u>
<b>Accumulated depreciation and impairment:</b>				
<b>As of January 1, 2018</b>	46,820	882,529	16,153	945,502
Charge for the year	5,625	145,504	1,480	152,609
Written back on disposals	(15)	(1,297)	(116)	(1,428)
Written-off	(290)	(32,064)	(1,372)	(33,726)
Exchange differences	18	131	1	150
<b>As of December 31, 2018</b>	<u>52,158</u>	<u>994,803</u>	<u>16,146</u>	<u>1,063,107</u>
<b>As of January 1, 2019</b>	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
<b>As of December 31, 2019</b>	<u>58,117</u>	<u>1,046,055</u>	<u>16,758</u>	<u>1,120,930</u>
<b>Net book value:</b>				
As of December 31, 2019	<u>103,373</u>	<u>562,300</u>	<u>9,159</u>	<u>674,832</u>
As of December 31, 2018	<u>103,293</u>	<u>554,048</u>	<u>9,155</u>	<u>666,496</u>

For the year ended December 31, 2017, as a result of the optimization of 4G network coverage, the continuing impact of the mobile Internet substitution effect, and particularly, the significant progress of Voice over LTE business services, the usage and utilization of the Group's 2G network has been decreasing rapidly. Meanwhile, due to the further decline of voice tariff, the revenue from voice services dropped even faster and the management anticipates more pressure on the profitability of 2G wireless and related assets ("2G Network Assets"). Therefore, based on the impairment testing results, management recognized an impairment loss of RMB10,450 million on the 2G Network Assets. No additional impairment was provided in 2018 and 2019.

## 16 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
<b>Cost:</b>				
<b>As of January 1, 2019</b>	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 gains and losses	—	22	—	22
<b>As of December 31, 2019</b>	<u>78,975</u>	<u>43,327</u>	<u>4,117</u>	<u>126,419</u>
<b>Accumulated amortization and impairment:</b>				
<b>As of January 1, 2019</b>	15,299	12,409	2,507	30,215
Charge for the year	14,738	7,675	338	22,751
Early termination of lease contracts	(276)	(435)	(151)	(862)
Exchange gains and losses	—	7	—	7
<b>As of December 31, 2019</b>	<u>29,761</u>	<u>19,656</u>	<u>2,694</u>	<u>52,111</u>
<b>Net book value:</b>				
As of December 31, 2019	<u>49,214</u>	<u>23,671</u>	<u>1,423</u>	<u>74,308</u>
As of January 1, 2019	<u>59,870</u>	<u>23,381</u>	<u>1,038</u>	<u>84,289</u>

### (b) Amounts recognized in the consolidated statement of comprehensive income

For the year ended December 31, 2019, the depreciation charge of right-of-use assets recognized in the consolidated statement of comprehensive income amounted to RMB22,751 million. Other than the depreciation charge of right-of-use assets, the amounts recognized in the consolidated statement of comprehensive income in relation to interest expense of lease liabilities, and expenses related to short-term lease, low-value lease which is not recorded as short-term lease and variable lease payment are disclosed in Note 5 and Note 10, respectively.

## 17 CONSTRUCTION IN PROGRESS

	2019 Million	2018 Million
As of January 1	72,180	78,112
Additions	163,312	163,962
Transferred to property, plant and equipment	<u>(167,514)</u>	<u>(169,894)</u>
As of December 31	<u>67,978</u>	<u>72,180</u>

As of December 31, 2019, construction in progress primarily comprises expenditure incurred on the network expansion projects but not yet completed.

## 18 LAND USE RIGHTS AND OTHERS

As of December 31, 2019, total land use rights amounted to RMB16,489 million (2018: RMB16,593 million). For the year ended December 31, 2019, the amortization of land use rights expensed in the profit or loss amounted to approximately RMB462 million (2018: approximately RMB467 million; 2017: approximately RMB446 million).

In addition to the land use rights, this item also comprises long-term prepaid expenses and financial assets.

## 19 GOODWILL

	2019 Million	2018 Million
<b>Cost and carrying amount:</b>		
As of January 1 and December 31	<u>35,343</u>	<u>35,343</u>

### Impairment tests for goodwill

As of December 31, 2019, the goodwill of RMB 35,300 million is attributable to the cash-generating units in relation to the operation in Mainland China which management currently monitors. The recoverable amount of the cash-generating unit is determined based on the VIU calculations by using the discounted cash flow method. This method considers the pre-tax cash flows of the subsidiaries (cash-generating unit) for the five years ending December 31, 2024 and the projected perpetual cash flows after the fifth year. For the five years ending December 31, 2024, the average growth rate is assumed 1.5% while for the years beyond December 31, 2024, the assumed continual growth rate to perpetuity is 1%. The present value of cash flows is calculated by discounting the cash flow using pre-tax interest rates of approximately 11%. The management performed impairment test for the goodwill in relation to the operation in Mainland China and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss.

## 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	British Virgin Islands (“BVI”)	HK\$1	100%	—	Investment holding company
China Mobile Communication Co., Ltd. (“CMC”)**	Mainland China	RMB1,641,848,326	—	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. (“Guangdong Mobile”)	Mainland China	RMB5,594,840,700	—	100%	Telecommunications operator
China Mobile Group Zhejiang Co., Ltd.	Mainland China	RMB2,117,790,000	—	100%	Telecommunications operator
China Mobile Group Jiangsu Co., Ltd.	Mainland China	RMB2,800,000,000	—	100%	Telecommunications operator
China Mobile Group Fujian Co., Ltd.	Mainland China	RMB5,247,480,000	—	100%	Telecommunications operator
China Mobile Group Henan Co., Ltd.	Mainland China	RMB4,367,733,641	—	100%	Telecommunications operator
China Mobile Group Hainan Co., Ltd.	Mainland China	RMB643,000,000	—	100%	Telecommunications operator
China Mobile Group Beijing Co., Ltd.	Mainland China	RMB6,124,696,053	—	100%	Telecommunications operator
China Mobile Group Shanghai Co., Ltd.	Mainland China	RMB6,038,667,706	—	100%	Telecommunications operator
China Mobile Group Tianjin Co., Ltd.	Mainland China	RMB2,151,035,483	—	100%	Telecommunications operator
China Mobile Group Hebei Co., Ltd.	Mainland China	RMB4,314,668,531	—	100%	Telecommunications operator
China Mobile Group Liaoning Co., Ltd.	Mainland China	RMB5,140,126,680	—	100%	Telecommunications operator
China Mobile Group Shandong Co., Ltd.	Mainland China	RMB6,341,851,146	—	100%	Telecommunications operator
China Mobile Group Guangxi Co., Ltd.	Mainland China	RMB2,340,750,100	—	100%	Telecommunications operator
China Mobile Group Anhui Co., Ltd.	Mainland China	RMB4,099,495,494	—	100%	Telecommunications operator
China Mobile Group Jiangxi Co., Ltd.	Mainland China	RMB2,932,824,234	—	100%	Telecommunications operator
China Mobile Group Chongqing Co., Ltd.	Mainland China	RMB3,029,645,401	—	100%	Telecommunications operator
China Mobile Group Sichuan Co., Ltd.	Mainland China	RMB7,483,625,572	—	100%	Telecommunications operator
China Mobile Group Hubei Co., Ltd.	Mainland China	RMB3,961,279,556	—	100%	Telecommunications operator
China Mobile Group Hunan Co., Ltd.	Mainland China	RMB4,015,668,593	—	100%	Telecommunications operator

**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 Shaanxi Co., Ltd.	Mainland China	RMB3,171,267,431	—	100%	Telecommunications operator
China Mobile Group Shanxi Co., Ltd.	Mainland China	RMB2,773,448,313	—	100%	Telecommunications operator
China Mobile Group Neimenggu Co., Ltd.	Mainland China	RMB2,862,621,870	—	100%	Telecommunications operator
China Mobile Group Jilin Co., Ltd.	Mainland China	RMB3,277,579,314	—	100%	Telecommunications operator
China Mobile Group Heilongjiang Co., Ltd.	Mainland China	RMB4,500,508,035	—	100%	Telecommunications operator
China Mobile Group Guizhou Co., Ltd.	Mainland China	RMB2,541,981,749	—	100%	Telecommunications operator
China Mobile Group Yunnan Co., Ltd.	Mainland China	RMB4,137,130,733	—	100%	Telecommunications operator
China Mobile Group Xizang Co., Ltd.	Mainland China	RMB848,643,686	—	100%	Telecommunications operator
China Mobile Group Gansu Co., Ltd.	Mainland China	RMB1,702,599,589	—	100%	Telecommunications operator
China Mobile Group Qinghai Co., Ltd.	Mainland China	RMB902,564,911	—	100%	Telecommunications operator
China Mobile Group Ningxia Co., Ltd.	Mainland China	RMB740,447,232	—	100%	Telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	Mainland China	RMB2,581,599,639	—	100%	Telecommunications operator
China Mobile Group Design Institute Co., Ltd.	Mainland China	RMB160,232,547	—	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited**	Mainland China	US\$30,000,000	100%	—	Investment holding company
China Mobile Information Technology Co., Ltd.**	Mainland 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
Aspire (BVI) Limited#	BVI	US\$1,000	—	100%	Investment holding company
Aspire Technologies (Shenzhen) Limited***	Mainland China	US\$10,000,000	—	100%	Development, services and maintenance of industry value- added platform
Aspire Information Network (Shenzhen) Limited***	Mainland China	US\$5,000,000	—	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited***	Mainland China	US\$5,000,000	—	100%	Operation support and capability service of digital content

**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	
Fujian FUNO Mobile Communication Technology Company Limited***	Mainland 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.	Mainland 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")	Mainland China	RMB11,627,783,669	—	92%	Provision of non-banking financial services
China Mobile IoT Company Limited	Mainland China	RMB3,000,000,000	—	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	Mainland China	RMB980,000,000	—	100%	Provision of Mobile Cloud research and development and operation support services
China Mobile E-Commerce Co., Ltd. ("China Mobile E-Commerce")	Mainland China	RMB500,000,000	—	100%	Provision of e-payment , e-commerce and Internet finance services
China Mobile (Hangzhou) Information Technology Co., Ltd.	Mainland China	RMB1,250,000,000	—	100%	Provision of family information products, capability research and development services
China Mobile Online Services Co., Ltd.	Mainland China	RMB2,000,000,000	—	100%	Provision of call center and internet information 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	
MIGU Company Limited	Mainland China	RMB7,000,000,000	—	100%	Provision of mobile Internet digital content services
China Mobile TieTong Company Limited	Mainland China	RMB31,880,000,000	—	100%	Provision of engineering, maintenance, sales and telecommunications services
China Mobile Internet Company Limited	Mainland China	RMB2,900,000,000	—	100%	Provision of Internet related services
China Mobile Investment Holdings Company Limited	Mainland China	RMB975,920,000	—	100%	Investment holding company
China Mobile System Integration Co., Ltd. (formerly known as China Mobile Quantong System Integration Co., Ltd.)	Mainland China	RMB550,000,000	—	100%	Provision of computer system integration, construction, maintenance and related technology development services
China Mobile (Chengdu) ICT Co., Ltd.	Mainland China	RMB300,000,000	—	100%	Provision of Information technology products and technology research and development services
China Mobile (Shanghai) ICT Co., Ltd.	Mainland China	RMB200,000,000	—	100%	Provision of Information technology products and technology research and development services
China Mobile Financial Technology Co., Ltd.	Mainland China	RMB500,000,000	—	100%	Provision of e-payment , e-commerce and Internet finance services
China Mobile Xiong'an Information & Telecommunication Technology Company Limited	Mainland China	RMB150,000,000	—	100%	Provision of Information technology products and technology research and development services
Zhongyidong Information Technology Co., Ltd.	Mainland China	RMB1,000,000,000	—	100%	Provision of IT solution including digital technology

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

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

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

# Effective interest held by the Group is 66.41%.

## 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As of December 31, 2019 Million	As of January 1, 2019 (As restated) (Note 3) Million	As of December 31, 2018 (As previously reported) Million
Associates	154,004	142,843	144,059
Joint ventures	1,224	1,266	1,266
	<u>155,228</u>	<u>144,109</u>	<u>145,325</u>

Details of principal associates, all of which are listed on exchanges, are as follows:

<u>Name of associate</u>	<u>Place of incorporation/ establishment and operation</u>	<u>Proportion of ownership interest held by the Company or its subsidiary</u>	<u>Principal activity</u>
SPD Bank	PRC	18%	Provision of banking services
China Tower Corporation Limited ("China Tower")	PRC	28%	Construction, maintenance and operation of telecommunications towers
IFLYTEK Co., Ltd. ("IFLYTEK")	PRC	13%	Provision of intelligent voice and artificial intelligence products and services
True Corporation Public Company Limited ("True Corporation")	Thailand	18%	Provision of telecommunications services

## 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Summary financial information on principal associates:

	<b>SPD Bank</b>	
	As of December 31	
	2019 Million	2018 Million
Total assets	7,005,929	6,289,606
Total liabilities	6,444,878	5,811,226
Total equity	<u>561,051</u>	<u>478,380</u>
Total equity attributable to ordinary equity shareholders	493,945	441,642
Percentage of ownership of the Group	<u>18%</u>	<u>18%</u>
Total equity attributable to the Group	89,774	80,291
The impact of fair value adjustments at the time of acquisition, goodwill and others	<u>6,084</u>	<u>6,660</u>
Interest in associates	<u>95,858</u>	<u>86,951</u>

	<b>China Tower</b>		<b>IFLYTEK</b>		<b>True Corporation</b>	
	As of December 31		As of December 31		As of December 31	
	2019 Million	2018 Million	2019 Million	2018 Million	2019 Million	2018 Million
Total current assets	40,995	31,799	11,430	7,762	31,298	26,309
Total non-current assets	297,072	283,565	8,671	7,540	90,680	78,251
Total current liabilities	128,364	114,759	6,866	5,813	35,186	43,097
Total non-current liabilities	27,142	20,103	1,500	1,278	57,457	33,215
Total equity	<u>182,561</u>	<u>180,502</u>	<u>11,735</u>	<u>8,211</u>	<u>29,335</u>	<u>28,248</u>
Total equity attributable to equity shareholders	182,559	180,502	11,418	7,971	29,184	28,123
Percentage of ownership of the Group	<u>28%</u>	<u>28%</u>	<u>13%</u>	<u>13%</u>	<u>18%</u>	<u>18%</u>
Total equity attributable to the Group	51,281	50,414	1,465	1,075	5,253	5,062
The impact of fair value adjustments at the time of acquisition, goodwill and others	—	—	810	812	1,834	2,851
Elimination of unrealized profits resulting from the transfer of Tower Assets and its realization	<u>(2,543)</u>	<u>(3,115)</u>	—	—	—	—
Interest in associates	<u>48,738</u>	<u>47,299</u>	<u>2,275</u>	<u>1,887</u>	<u>7,087</u>	<u>7,913</u>

## 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

Note:

The Group has recognized its share of SPD Bank's and IFLYTEK's comprehensive income for the year 2019 based on the financial information released and publicly disclosed by SPD Bank and IFLYTEK.

On August 8, 2018, China Tower successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited and made an offering of 46,663,856,000 new ordinary shares (including both Hong Kong and International offerings with over-allotment option exercised) at a price of HK\$1.26 per share. The Group's shareholding in China Tower has been diluted from 38% to 28% and the gain as a result of equity interest dilution following the initial public offering of China Tower amounted to approximately RMB2,271 million was recorded in income from investments accounted for using the equity method.

	SPD Bank			China Tower		
	2019 Million	2018 Million	2017 Million	2019 Million	2018 Million	2017 Million
Revenue	190,688	170,865	168,619	76,428	71,819	68,665
Profit before taxation	69,817	65,284	69,828	6,837	3,475	2,685
Profit attributable to ordinary equity shareholders	57,186	54,189	52,533	5,222	2,650	1,943
Other comprehensive income/(loss) attributable to ordinary equity shareholders	2,608	6,979	(5,568)	—	—	—
Total comprehensive income attributable to ordinary equity shareholders	59,794	61,168	46,965	5,222	2,650	1,943
Dividends received from associates	1,867	533	821	111	—	—

	IFLYTEK			True Corporation		
	2019 Million	2018 Million	2017 Million	2019 Million	2018 Million	2017 Million
Revenue	10,079	7,917	5,458	31,423	33,214	28,262
Profit before taxation	995	659	584	1,727	2,662	726
Profit attributable to ordinary equity shareholders	819	542	428	1,256	1,444	465
Other comprehensive income/(loss) attributable to ordinary equity shareholders	—	1	—	(186)	(46)	32
Total comprehensive income attributable to ordinary equity shareholders	819	543	428	1,070	1,398	497
Dividends received from associates	27	18	18	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, 2019		As of December 31, 2018	
	Carrying amount Million	Fair value Million	Carrying amount Million	Fair value Million
SPD Bank	95,858	65,993	86,951	52,282
China Tower	48,738	75,729	47,299	63,738
IFLYTEK	2,275	9,268	1,887	6,623
True Corporation	7,087	6,432	7,913	6,589

## 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, 2019, the fair value of investment in SPD Bank was RMB65,993 million (2018: RMB52,282 million) based on its quoted market price, which was below its carrying amount by approximately 31.2% (2018: approximately 39.9%). Management of the Group performed an impairment test and determined the respective 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, 2024 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 Mainland China. Management judgement is required in estimating the future cash flows of SPD Bank. The key assumptions are determined with reference to external sources of information. Based on the management's assessment results and sensitivity analysis performed, there was no impairment of the investment as of December 31, 2019.

As of December 31, 2019, the fair value of investment in True Corporation was RMB6,432 million (2018: RMB6,589 million) based on its quoted market price, which was below its carrying amount by approximately 9.2% (2018: approximately 16.7%). Management of the Group performed an impairment test and determined its recoverable amount as the higher of its fair value less costs of disposal and VIU. Based on the management's assessment results, there was no impairment of the investment as of December 31, 2019.

Other than above, the management has determined that there was no impairment indicator of the Group's interests in other associates as of December 31, 2018 and 2019.

### **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, 2019, CMC had contributed RMB1,256 million (2018: RMB1,134 million) to the Fund with an outstanding commitment to further invest RMB244 million (2018: RMB366 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, 2019.

## 22 DEFERRED TAX ASSETS AND LIABILITIES

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

	As of December 31, 2019 Million	As of December 31, 2018 Million
Deferred tax assets:		
- Deferred tax asset to be recovered after 12 months	3,519	2,982
- Deferred tax asset to be recovered within 12 months	<u>29,109</u>	<u>26,672</u>
	<u>32,628</u>	<u>29,654</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after 12 months	(857)	(598)
- Deferred tax liabilities to be settled within 12 months	<u>(531)</u>	<u>(224)</u>
	<u>(1,388)</u>	<u>(822)</u>

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2019

	As of December 31, 2018 (As previously reported) Million	Changes in accounting policies (Note 3) Million	As of January 1, 2019 (As restated) Million	(Charged)/ credited to profit or loss Million	Charged to other comprehensive income Million	Exchange differences Million	As of December 31, 2019 Million
<b>Net deferred tax assets after offsetting:</b>							
Write-down of obsolete inventories	75	—	75	(62)	—	—	13
Depreciation, write-off and impairment of property, plant and equipment	5,289	—	5,289	833	—	—	6,122
Accrued expenses and others	17,715	—	17,715	1,003	—	—	18,718
Deferred revenue from Reward Program	5,784	—	5,784	(299)	—	—	5,485
Credit impairment losses	1,458	—	1,458	179	—	—	1,637
Recognition of right-of-use assets and lease liabilities	—	488	488	281	—	—	769
Change in value of financial assets at FVOCI	(6)	—	(6)	—	(1)	—	(7)
Contract asset, contract liability and contract cost relating to customer contract	(661)	—	(661)	552	—	—	(109)
	<u>29,654</u>	<u>488</u>	<u>30,142</u>	<u>2,487</u>	<u>(1)</u>	<u>—</u>	<u>32,628</u>
<b>Net deferred tax liabilities after offsetting:</b>							
Depreciation of property, plant and equipment	(1,117)	—	(1,117)	(1,152)	—	(13)	(2,282)
Recognition of right-of-use assets and lease liabilities	—	16	16	45	—	—	61
Deferred revenue from Reward Program	157	—	157	109	—	—	266
Accrued expenses and others	138	—	138	427	—	2	567
	<u>(822)</u>	<u>16</u>	<u>(806)</u>	<u>(571)</u>	<u>—</u>	<u>(11)</u>	<u>(1,388)</u>
Total	<u>28,832</u>	<u>504</u>	<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)

### Deferred tax assets and liabilities recognized and the movements during 2018

	As of January 1, 2018 Million	(Charged)/ credited to profit or loss Million	Charged to other comprehensive income Million	Exchange differences Million	As of December 31, 2018 Million
<b>Net deferred tax assets after offsetting:</b>					
Write-down of obsolete inventories	120	(45)	—	—	75
Depreciation, write-off and impairment of property, plant and equipment	7,082	(1,793)	—	—	5,289
Accrued expenses and others	18,934	(1,219)	—	—	17,715
Deferred revenue from Reward Program	5,943	(159)	—	—	5,784
Credit impairment losses	1,294	164	—	—	1,458
Change in value of financial assets at FVOCI	(6)	—	—	—	(6)
Contract asset, contract liability and contract cost relating to customer contract	(2,879)	2,218	—	—	(661)
	<u>30,488</u>	<u>(834)</u>	<u>—</u>	<u>—</u>	<u>29,654</u>
<b>Net deferred tax liabilities after offsetting:</b>					
Depreciation of property, plant and equipment	(362)	(736)	—	(19)	(1,117)
Others	—	296	—	(1)	295
	<u>(362)</u>	<u>(440)</u>	<u>—</u>	<u>(20)</u>	<u>(822)</u>
Total	<u>30,126</u>	<u>(1,274)</u>	<u>—</u>	<u>(20)</u>	<u>28,832</u>

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 RMB8,677 million (2018: RMB6,476 million) in respect of deductible temporary differences and tax losses amounting to RMB42,469 million (2018: RMB29,026 million) that can be carried forward against future taxable income as of December 31, 2019. The deductible tax losses are allowed to be carried forward within next five years against the future taxable profits, while those of high-tech enterprises are allowed to be within next ten years.

## 23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

	Financial assets at fair value through other comprehensive income("FVOCI") <sup>(i)</sup> Million	Financial assets at fair value through profit or loss ("FVPL") <sup>(ii)</sup> Million
As of December 31, 2018		
-Current portion	—	76,425
-Non-current portion	587	501
	<u>587</u>	<u>76,926</u>
Addition	—	161,343
Maturity	—	(129,505)
Fair value gains recognized in profit or loss	—	5,495
Fair value losses recognized in other comprehensive income, before tax	(74)	—
As of December 31, 2019	<u>513</u>	<u>114,259</u>
Less: Current portion	—	(114,259)
Non-current portion	<u>513</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 values (mainly level 1: quoted price (unadjusted) in active markets) through other comprehensive income as of December 31, 2018 and 2019.
- (ii) The category of FVPL mainly comprises WMPs offered by various financial institutions in China amounting to RMB103,328 million and the Group's investment in the convertible bonds issued by SPD Bank ("CB") amounting to 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, 2019 and 2018, they were measured at fair values (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. The CB was acquired by Guangdong Mobile, a wholly-owned subsidiary of the Company in October 2019 at a purchase consideration of RMB9,085 million upon SPD Bank publicly issued the instruments. The CB have been listed for trading and can be converted into equity shares of SPD Bank from May 4, 2020 to October 27, 2025. 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, 2018 and 2019.

## 24 RESTRICTED BANK DEPOSITS

	As of December 31, 2019			As of December 31, 2018		
	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)	8,586	—	8,586	4,486	—	4,486
- Deposited customer reserves (Note)	1,435	—	1,435	7,882	—	7,882
- Pledged bank deposits	42	371	413	1	9	10
	<u>10,063</u>	<u>371</u>	<u>10,434</u>	<u>12,369</u>	<u>9</u>	<u>12,378</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 INVENTORIES

	As of December 31, 2019 Million	As of December 31, 2018 Million
Handsets, SIM cards and other terminals	5,205	6,939
Other consumables	2,133	1,918
	<u>7,338</u>	<u>8,857</u>

## 26 ACCOUNTS RECEIVABLE

### (a) Aging analysis

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

	As of December 31, 2019 Million	As of December 31, 2018 Million
Within 30 days	14,353	11,160
31 - 60 days	3,789	3,680
61 - 90 days	3,035	2,358
90 days - 1 year	9,575	7,649
Over 1 year	1,942	1,693
	<u>32,694</u>	<u>26,540</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) Impairment loss allowance of accounts receivable

The following table summarizes the changes in impairment loss allowance of accounts receivable:

	2019 Million	2018 Million
As of January 1	7,269	5,863
Credit loss recognized	5,833	4,480
Accounts receivable written off	<u>(3,545)</u>	<u>(3,074)</u>
As of December 31	<u>9,557</u>	<u>7,269</u>

**27 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 interest receivable from banks, 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 was RMB7,450 million (2018: RMB11,000 million), and other short-term loans granted to banks and other financial institutions as well as short-term debt investments purchased through China Mobile Finance was RMB11,464 million (2018: RMB13,260 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 maintenance prepayments, power and utilities prepayments and input value-added tax to be deducted.

As of December 31, 2018 and 2019, there were no significant overdue amounts for other receivables.

**28 AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY**

Amount due from ultimate holding company is unsecured, interest free, repayable on demand and arising in the ordinary course of business.

As of December 31, 2019, 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 RMB21,637 million (2018: RMB10,873 million) and the corresponding interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

**29 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.

**30 CASH AND CASH EQUIVALENTS**

	As of December 31, 2019 Million	As of December 31, 2018 Million
Bank deposits with original maturity within three months	8,959	3,470
Cash at banks and on hand	166,974	53,832
	<u>175,933</u>	<u>57,302</u>

### 31 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

	As of December 31, 2019 Million	As of December 31, 2018 Million
<b>Payable in the periods below:</b>		
Within 1 month or on demand	139,856	164,081
After 1 month but within 3 months	6,270	8,902
After 3 months but within 6 months	4,839	7,349
After 6 months but within 9 months	4,569	3,411
After 9 months but within 12 months	9,284	7,104
	<u>164,818</u>	<u>190,847</u>

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

### 32 DEFERRED REVENUE

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

	2019 Million	2018 Million
As of January 1		
- Current portion	63,185	84,897
- Non-current portion	<u>4,881</u>	<u>2,888</u>
	68,066	87,785
Additions during the year	256,432	299,383
Recognized in the consolidated statements of comprehensive income	<u>(259,812)</u>	<u>(319,102)</u>
As of December 31	64,686	68,066
Less: Current portion	<u>(57,825)</u>	<u>(63,185)</u>
Non-current portion	<u>6,861</u>	<u>4,881</u>

### 33 ACCRUED EXPENSES AND OTHER PAYABLES

	As of December 31, 2019 Million	As of December 31, 2018 Million
Receipts-in-advance	69,421	69,629
Other payables	28,962	31,990
Accrued salaries, wages and other benefits	7,213	6,950
Accrued expenses	76,772	87,003
	<u>182,368</u>	<u>195,572</u>

### 34 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, 2018 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.

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends attributable to the year:

	2019 Million	2018 Million	2017 Million
Ordinary interim dividend declared and paid of HK\$1.527 (equivalent to approximately RMB1.343) (2018: HK\$1.826 (equivalent to approximately RMB1.540); 2017: HK\$1.623 (equivalent to approximately RMB1.409)) per share	28,206	32,870	28,211
Special dividend declared and paid of HK\$3.200 (equivalent to approximately RMB2.777) per share in 2017	—	—	55,621
Ordinary final dividend proposed after the balance sheet date of HK\$1.723 (equivalent to approximately RMB1.543 million) (2018: HK\$1.391 (equivalent to approximately RMB1.219); 2017: HK\$1.582 (equivalent to approximately RMB1.322)) per share	<u>31,602</u>	<u>24,955</u>	<u>27,077</u>
	<u>59,808</u>	<u>57,825</u>	<u>110,909</u>

The proposed ordinary final dividend, which is declared in Hong Kong dollar is translated into RMB with reference to the rate HK\$1 = RMB0.89578, being the rate announced by the State Administration of Foreign Exchange in the PRC on December 31, 2019. As the ordinary final dividend was declared after the balance sheet date, such dividend is not recognized as liability as of December 31, 2019.

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.

**34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)**

**(b) Dividends (Continued)**

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

	2019 Million	2018 Million	2017 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.391 (equivalent to approximately RMB1.219) (2018: HK\$1.582 (equivalent to approximately RMB1.322); 2017: HK\$1.243 (equivalent to approximately RMB1.112)) per share	<u>25,059</u>	<u>27,060</u>	<u>22,204</u>

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

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

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

## 34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Nature and purpose of 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(x).

### (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, 2019 and 2018, 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.

## 35 RELATED PARTY TRANSACTIONS

### (a) Transactions with CMCC Group

The following is a summary of principal related party transactions entered into by the Group with CMCC Group for the years ended December 31, 2017, 2018 and 2019. The majority of these transactions also constitute continuing connected transactions as defined under Chapter 14A of Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph “Connected Transactions” in the Report of Directors.

	Note	2019 Million	2018 Million	2017 Million
Telecommunications services revenue	(i)	495	71	47
Property leasing and management services revenue	(ii)	197	226	188
Telecommunications services charges	(i)	103	—	—
Property leasing and management services charges	(ii)	1,129	1,009	999
Charges for use of network assets	(iii)	1,448	2,308	2,494
Charges of use of network capacity	(iii)	30	402	1,047
Interest expenses	(iv)	187	142	21
Short-term bank deposits received	(iv)	21,637	10,873	8,611
Short-term bank deposits repaid	(iv)	10,873	8,611	5,552
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, 2019 Million	As of December 31, 2018 Million
Accounts receivable		630	282
Other receivables		277	145
Prepayments and other current assets		2	5
Amounts due from ultimate holding company		1,350	570
Right-of-use assets		399	—
Lease liabilities		468	—
Accounts payable		6,741	5,825
Accrued expenses and other payables		90	80
Amounts due to ultimate holding company	(iv)	21,677	11,020

These amounts arise in the ordinary course of business and with terms determined through mutual negotiation.

## 35 RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions with CMCC Group (Continued)

Note:

- (i) The amounts represent telecommunications services settlement received/receivable or paid/payable from CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, and telecommunications line maintenance services.
- (ii) The 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. For the year ended December 31, 2019, 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.

### 35 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, 2017, 2018 and 2019.

	Note	2019 Million	2018 Million	2017 Million
Telecommunications services revenue	(i)	535	604	828
Property leasing and management services revenue	(ii)	30	40	99
Interest and other income	(iii)	6,130	4,083	4,807
Dividend income		2,299	691	847
Related costs for use of tower assets	(iv)	<u>39,843</u>	<u>37,837</u>	<u>36,335</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, 2019 Million	As of December 31, 2018 Million
Accounts receivable	(i)	225	240
Interest receivable	(iii)	831	829
Right-of-use assets	(iv)	40,316	—
Other receivables	(v)	9,545	12,518
Financial assets at FVPL	(vi)	54,490	41,128
Bank deposits	(vii)	59,205	44,955
Prepayments and other current assets		36	160
Lease liabilities	(iv)	43,142	—
Accounts payable	(iv)	4,708	3,252
Bills payable	(iv)	356	135
Accrued expenses and other payables	(iv)	<u>6,511</u>	<u>7,301</u>

## 35 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Principal transactions with associates and joint ventures of the Group (Continued)

Note:

- (i) The amounts represent the telecommunications services revenue received/receivable from the Group's associates and joint ventures.
- (ii) The amounts represent the property leasing revenue received/receivable from China Tower.
- (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 WMP purchased from SPD Bank and the income 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 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) Other receivables primarily represent the short-term loans granted to China Tower and 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 are mutually agreed among both parties with reference to the market interest rates.
- (vi) The amounts represent the WMP purchased from SPD Bank and the CB publicly issued by SPD Bank. The return rates of WMP 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.

## 35 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 28 and 35(a)), associates and joint venture (note 35(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.

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

### (a) Credit risk and concentration risk

The Group's credit risk is primarily attributable to the financial assets in the balance 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 Mainland China and Hong Kong. The credit risk on liquid funds is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies and large state-controlled financial institutions. 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 is 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.

36 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 rate as of December 31, 2018 and 2019 was determined as follows for each customers group of accounts receivable due from individual customers and corporate customers, respectively:

	Within 30 days	31 days to 90 days	91 days to 1 year	Over 1 year
<b>Individual customers</b>				
Expected loss rate	2%	20%	80%	100%
	Within 180 days	181 days to 1 year	1 year to 2 years	2 years to 3 years
<b>Corporate customers</b>				Over 3 years
Expected loss rate	2%	20%	60%	80%
				100%

Receivables from other customers are of lower risk, and the expected credit loss is insignificant.

Credit impairment losses on accounts receivable and contract assets 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.

**36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)**

**(a) Credit risk and concentration risk (Continued)**

**(ii) Impairment of financial assets (Continued)**

**Other financial assets at amortized cost**

Other financial assets at amortized cost include cash and cash equivalents, bank deposits, other receivables and amounts due from ultimate holding company, etc. They are considered to be of low credit risk and thus 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 manages liquidity risk by maintaining sufficient cash balances and bank deposits (which are readily convertible to known amounts of cash) to meet its funding needs, including working capital, payments for short-term deposits of CMCC Group received by China Mobile Finance, dividend payments and capital expenditures.

36 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
<b>As of December 31, 2019</b>						
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>
<b>As of December 31, 2018</b>						
Accounts payable	190,847	190,847	190,847	—	—	—
Bills payable	3,221	3,221	3,221	—	—	—
Accrued expenses and other payables	195,572	195,572	195,572	—	—	—
Amount due to ultimate holding company	11,020	11,020	11,020	—	—	—
	<u>400,660</u>	<u>400,660</u>	<u>400,660</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates in managing the interest rate risk on a reasonable level. As of December 31, 2019, the Group did not have any interest-bearing borrowings at variable rates, but had RMB21,637 million of short-term bank deposits placed by CMCC (2018: RMB10,873 million), 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, 2019, total cash and bank balances of the Group amounted to RMB317,166 million (2018: RMB361,567 million), interest-bearing receivables amounted to RMB18,914 million (2018: RMB24,260 million) and WMPs amounted to RMB103,328 million (2018: RMB76,425 million). The interest and other income generated by the assets mentioned above for 2019 was RMB14,408 million (2018: RMB15,885 million; 2017: RMB15,883 million) and the average interest rate was 3.17% (2018: 3.33%; 2017: 3.13%). 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 RMB3,334 million (2018: RMB3,480 million; 2017: RMB3,182 million).

### (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 3.5% (2018: 3.3%) of the total cash and deposits with banks and predominantly all of the business operations of the Group are transacted in RMB, the Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

### (e) Fair values

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.

## 37 COMMITMENTS

### (a) Capital commitments

The Group's capital expenditure contracted for as of December 31 but not provided in the consolidated financial statements were as follows:

	2019 Million	2018 Million
Land and buildings	7,430	9,327
Telecommunications equipment and others	<u>34,463</u>	<u>44,174</u>
	<u>41,893</u>	<u>53,501</u>

### (b) Operating lease commitments

The Group leases certain land and buildings, leased lines and network assets, motor vehicles, computer and other office equipment.

From January 1, 2019, in accordance with IFRS 16, the Group has recognized right-of-use assets for these leases, except for short-term leases, leases of low-value assets, variable payment leases which are recorded in profit or loss as incurred and contracts reassessed as service arrangements, see note 3(d) and note 16 for further information.

The portfolio of the majority short-term leases which were committed by the Group as of December 31, 2019 was similar to the portfolio of short-term leases which were recorded in the profit or loss as incurred during 2019. Therefore, there is no need to disclose short-term lease commitments separately.

The total future minimum lease payments under non-cancellable operating leases as of December 31, 2018 were as follows:

	Land and buildings Million	Leased lines and network assets Million	Others Million	Total Million
<b>As of December 31, 2018</b>				
Within one year	10,067	44,867	1,402	56,336
After one year but within five years	24,843	123,088	1,324	149,255
After five years	<u>11,165</u>	<u>3,464</u>	<u>81</u>	<u>14,710</u>
	<u>46,075</u>	<u>171,419</u>	<u>2,807</u>	<u>220,301</u>

### (c) Investment commitments

The Group has an investment commitment to a joint venture (see note 21).

## 38 POST BALANCE SHEET EVENT

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended December 31, 2019. Further details are disclosed in note 34(b)(i).

On January 23, 2020, the Company announced that it had resolved to propose the adoption of the share option scheme (the “Scheme”) to further improve the governance structure of the Company and to effectively attract, motivate and retain the core backbone employees of the Company, which has been approved by the State-owned Assets Supervision and Administration Commission of the State Council (the “SASAC”), and is still subject to the obtaining of the approval from the shareholders of the Company. As of the approval date of the consolidated financial statements, the Company has not granted any share options under the Scheme.

The Group’s 4G and 5G networks are expected to co-exist for a long time in 2020 and beyond, 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 in such assets. After the Group’s assessment of the actual state of use of its 4G wireless assets, the Company has resolved to adjust the depreciable life of the Group’s 4G wireless assets from 5 years to 7 years with effect from January 1, 2020. The adjusted depreciable life of the Group’s 4G wireless assets is the same as the depreciable life of its 5G wireless assets, which the Company considers to be a more reasonable reflection of the expected useful life of such type of assets. The aforesaid changes in accounting estimates will be made using the prospective application method with no need for any retrospective adjustment, and hence the Group’s financial reports for 2019 and earlier years will not be affected. According to the Company’s static calculation based on currently available information, the aforesaid changes are expected to impact the Group’s depreciation by a decrease of approximately RMB18.3 billion for the year ending December 31, 2020.

After the outbreak of the coronavirus disease (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been implemented across the country. The pandemic has impacted the business development and operating results of the Group to some extent, and the Group will pay close attention to the development of the COVID-19 outbreak and continuously evaluate its impact on the financial position and operating results of the Group.

## 39 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 items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are determined based on the Group’s historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

### 39 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### **Taxation**

The Group is subject to income taxes mainly in Mainland China and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred tax assets could be recovered. Deferred tax assets are 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.

### 39 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### **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.

**40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2019**

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 for the year ended December 31, 2019 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, 2021
Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	January 1, 2020
Amendments to IFRS 3 "Business Combinations" - "Definition of a Business"	January 1, 2020
Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendment to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - interest rate benchmark reform	January 1, 2020
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in associates and joint ventures"	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.

41 CONDENSED FINANCIAL INFORMATION OF THE COMPANY

(a) Condensed statements of comprehensive income

	2019 Million	2018 Million	2017 Million
<b>Dividend income</b>	53,475	60,044	111,490
<b>Operating expenses</b>	(70)	(67)	(77)
<b>Interest and other income</b>	38	41	23
<b>Other gains/(losses)</b>	77	250	(87)
<b>Finance costs</b>	—	—	(2)
<b>Profit before taxation</b>	53,520	60,268	111,347
<b>Taxation</b>	(9)	—	(14)
<b>PROFIT FOR THE YEAR</b>	53,511	60,268	111,333
<b>Other comprehensive income for the year</b>	—	—	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>53,511</u>	<u>60,268</u>	<u>111,333</u>

41 CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

(b) Condensed balance sheets

	As of December 31, 2019 Million	As of December 31, 2018 Million
<b>Non-current assets</b>	492,759	491,748
<b>Current assets</b>	2,262	2,614
<b>Current liabilities</b>	5,121	4,708
<b>Non-current liabilities</b>	—	—
<b>NET ASSETS</b>	<u>489,900</u>	<u>489,654</u>
<b>TOTAL EQUITY</b>	<u>489,900</u>	<u>489,654</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

	2019 Million	2018 Million	2017 Million
<b>Net cash (used)/generated from operating activities</b>	<u>(156)</u>	<u>2</u>	<u>(72)</u>
<b>Net cash generated from investing activities</b>	<u>14,778</u>	<u>15,792</u>	<u>28,840</u>
<b>Net cash used in financing activities</b>	<u>(14,532)</u>	<u>(16,331)</u>	<u>(28,913)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	90	(537)	(145)
<b>Cash and cash equivalents at beginning of year</b>	245	554	796
<b>Effect of changes in foreign exchange rate</b>	<u>(25)</u>	<u>228</u>	<u>(97)</u>
<b>Cash and cash equivalents at end of year</b>	<u>310</u>	<u>245</u>	<u>554</u>

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

As of December 31, 2019, 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 depositary shares (“**ADSs**”), each currently representing the right to receive five ordinary shares, are evidenced by American depositary receipts (“**ADRs**”) and are available through an American depositary 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 depositary (the “**Depositary**”), 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 Depositary 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 2019 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, 2019 (the “**2019 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, 2019, 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 2019 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 2019 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 2019 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:	Then:
<ul style="list-style-type: none"> <li>● Change the nominal or par value of our shares</li> <li>● Reclassify, split up or consolidate any of the deposited securities</li> <li>● Distribute securities on the shares that are not distributed to you</li> <li>● Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action</li> </ul>	<ul style="list-style-type: none"> <li>● 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.</li> <li>● 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.</li> </ul>

**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.

**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Chongqing:

The Vendor: Chongqing Communication Services Company Limited (“**Party A**”)  
Legal Person: YIN Xianzhi  
Address: Tower 1-2, 619 Hong Mian Avenue, North New District, Chongqing

The Purchaser: China Mobile Group Chongqing Company Limited (“**Party B**”)  
Legal Person: YIN Xianzhi  
Address: 2 Xing Guang San Road, Yu Bei District, Chongqing

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 55,832,330.44 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 55,832,330.44 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 3%, 5% and 13% when Party B pays Party A any consideration under this Agreement.
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2.4 Bank account information of Party A and Party B are as follows:

Party A's name: Chongqing Communication Services Company Limited  
TIN: 91500000203293683J  
Bank account name: Chongqing Communication Services Company Limited  
Bank name: ICBC Daping Branch  
Bank account: 3100024309022121444  
Address: Tower 1-2, 619 Hong Mian Avenue, North New District, Chongqing  
Telephone: 023-61670925

Party B's name: China Mobile Group Chongqing Company Limited  
TIN: 91500000736550152I  
Account Name: China Mobile Group Chongqing Company Limited  
Bank name: ICBC Daping Branch  
Bank account: 3100024309005402048  
Address: 2 Xing Guang San Road, Yu Bei District, Chongqing  
Telephone no.: 023-61670176

**3. The Transfer of Assets and Rights within the Scope of the Subject Matter**

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the "**Delivery**") shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within the year of 2019 upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the "**Transferred Contracts**") in principle. Party A's rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the "**Contracts Not Transferred**"), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A's fault.
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- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is Chongqing Communication Services Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
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5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.

5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

5.2.1 Party B is China Mobile Group Chongqing Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.

5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

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In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Chongqing Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.
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**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

The Vendor: Chongqing Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ PAN Feng

Date: 9 August 2019

The Purchaser: China Mobile Group Chongqing Company Limited (chop)

Legal Person or legal representative: /s/ ZHANG Zili

Date: 9 August 2019

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CMFJ-201900893

**Assets Transfer Agreement**

The Vendor: Fujian Xunjie Communication Technology Service Co., Ltd. (“**Party A**”)  
Legal Person: LIU Jian  
Address: 10# Floor, 89 Ruan Jian Avenue, Wu Feng Street, Gu Lou District, Fuzhou

The Purchaser: China Mobile Group Fujian Company Limited (“**Party B**”)  
Legal Person: LIU Jian  
Address: 140 Hu Dong Road, Fuzhou, Fujian

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 187,918.35 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 187,918.35 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration at the tax rate of 3% when Party B pays Party A any consideration under this Agreement. Otherwise, Party B is entitled to delay the payment without bearing any responsibilities.
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2.4 Both Parties' designated bank information for settlement are as follows:

The Vendor: Fujian Xunjie Communication Technology Service Co., Ltd.  
Bank account name: Fujian Xunjie Communication Technology Service Co., Ltd  
Bank name: Fujian Industrial Bank Fuzhou Yang Qiao Branch  
Bank account: 117200101400005942  
TIN: 9135000015816059X4

The Purchaser: China Mobile Group Fujian Company Limited  
Bank account Name: China Mobile Group Fujian Company Limited  
Bank name: China Mobile Group Finance Co., Ltd.  
Bank account: 8888015900000014

A Party shall inform the other Party in writing 10 days in advance if the above accounts need to be changed. If one Party fails to inform the other Party in accordance with the provision hereof and causes losses, the Party shall compensate the other Party.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the "**Delivery**") shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the "**Transferred Contracts**") in principle. Party A's rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the "**Contracts Not Transferred**"), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A's fault.
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- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a legal person duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
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5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.

5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.

5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

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In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Fuzhou Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.
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**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

The Vendor: Fujian Xunjie Communication Technology Service Co., Ltd. (chop)

Legal Person or legal representative: /s/ WU Xi

Date: 9 August 2019

The Purchaser: China Mobile Group Fujian Company Limited (chop)

Legal Person or legal representative: /s/ LIU Yihui

Date: 9 August 2019

Appendix 1: The Sale Assets List

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Lanzhou:

The Vendor: Gansu Communication Services Co., Ltd. (“**Party A**”)

Legal Person: PENG Xiaochuan

Address: 201 Min Zhu Dong Road, Lanzhou

The Purchaser: China Mobile Group Gansu Company Limited (“**Party B**”)

Legal Person: PENG Xiaochuan

Address: 666 Bei Bin He Xi Road, An Ning District, Lanzhou, Gansu

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 37,270,807.88 after taxation.

Project name	Appraised value		Tax Rate	Tax amount	Total amount
	Original value	Net worth			
<b>Fixed Assets-Buildings:</b>	28,995,185.22	15,526,041.56			
Purchased before 30 April 2016	15,526,041.56	15,526,041.56	5%	776,302.08	16,302,343.64
Purchased after 1 May 2016	0.00	0.00	9%	-	-
<b>Fixed Assets- Equipment:</b>	82,551,900.00	19,473,498.00			
Purchased before 30 April 2016	67,515,500.00	10,365,885.00	3%	310,976.55	10,676,861.55
Purchased after 1 May 2016	15,036,400.00	9,107,613.00	13%	1,183,989.69	10,291,602.69
Total	111,547,085.22	34,999,539.56		2,271,268.32	37,270,807.88

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2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 37,270,807.88 after taxation.

2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

2.4 Both Parties' designated bank information for settlement are as follows:

The Purchaser: China Mobile Group Gansu Company Limited  
TIN: 9162000075657790XM  
Bank account Name: China Mobile Group Gansu Company Limited  
Bank name: ICBC Lanzhou Huitong Branch  
Bank account: 270300360920002577  
Address: 666 Bei Bin He Xi Road, An Ning District, Lanzhou, Gansu

The Vendor: Gansu Communication Services Co., Ltd.  
TIN: 916200007103803942  
Bank account name: Gansu Communication Services Co., Ltd  
Bank name: China Agricultural Bank Lanzhou Central Place Branch  
Bank account: 27038101040004998  
Address: 201 Min Zhu Dong Road, Cheng Guan District, Lanzhou, Gansu

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.

3.2 The delivery of assets within the scope of the Subject matter hereunder (the "**Delivery**") shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 90 days upon the Completion Date hereunder and bear the relevant expenses.

3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.

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- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
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- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
  - 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
  - 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
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6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Lanzhou Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

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**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

The Vendor: Gansu Communication Services Co., Ltd. (chop)

Legal Person or legal representative: /s/ PENG Xiaochuan

Date: 9 August 2019

The Purchaser: China Mobile Group Gansu Company Limited (chop)

Legal Person or legal representative: /s/ WEI Hongjiang

Date: 9 August 2019

Appendix 1: The Sale Assets List

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Nanning:

The Vendor: Guangxi Communication Services Company Limited (“**Party A**”)

Legal Person: HE Ling

Address: 35 Chang Gang Road, Nanning, Guangxi

The Purchaser: China Mobile Group Guangxi Company Limited (“**Party B**”)

Legal Person: LU Zhihong

Address: 117 Min Zu Avenue, Qing Xiu District, Nanning, Guangxi

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 6,645,502.64 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 137,151,656.67 after taxation.
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	Item	Consideration	Tax	Total Amount	Description
1	Buildings	884,477.00	44,223.85	928,700.85	The buildings in the Sale Assets List apply to Simple Tax Method (5%) because they were purchased before 30 April 2016.
3	Transmission Fibers	5,075,034.00	152,251.02	5,227,285.02	The fibers and equipment apply to Simple Tax Method (3% levy at VAT rate of 2%) according to its activation date.
4	Machinery Equipment	475,259.00	14,257.77	489,516.77	
	Total:	6,434,770.00	210,732.64	6,645,502.64	

- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

Party B shall pay Party B in full amount within 15 working days after having received and verified the above invoice, with Party A's bank credit date. Both Parties' bank account information are as follows:

Party A's account name: Guangxi Communication Services Co., Ltd.

Bank name: ICBC Nanning Gong He Branch

Bank account: 2102101029300282813

TIN: 91450000711431640R

Party B's account name: China Mobile Group Guangxi Company Limited

Bank name: ICBC Nanning Lang Dong Branch

Bank account: 2102112019301131938

TIN: 914500007188907863

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the "**Delivery**") shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.

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- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is Guangxi Communication Services Co., Ltd., which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
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- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
  - 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is China Mobile Group Guangxi Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
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6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. **Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

## 8. **Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

## 9. **Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

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9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Guangxi Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ HE Ling

Date: 9 August 2019

The Purchaser: China Mobile Group Guangxi Company Limited (chop)

Legal Person or legal representative: /s/ LU Zhihong

Date: 9 August 2019

Appendix: The Sale Assets List

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**Assets Transfer Agreement**

Party A: Guizhou Communication Services Company Limited

Party B: China Mobile Group Guizhou Company Limited

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Guiyang, Guizhou:

The Vendor: Guizhou Communication Services Company Limited (“**Party A**”)

Legal Person: LIU Xuefeng

Address: 93 Zhong Hua Nan Road, Nan Ming District, Guiyang, Guizhou

TIN: 915200007096040390

Bank name: Guizhou Communication Services Company Limited

Bank name: ICBC Guiyang Yunyan Branch

Bank account: 2402 0003 0900 6988 897

The Purchaser: China Mobile Group Guizhou Company Limited (“**Party B**”)

Legal Person: LIU Xuefeng

Address: 1 Jin Cheng Street, Guan Shan Lake District, Guiyang, Guizhou

TIN: 91520000761388505T

Bank name: China Mobile Group Guizhou Company Limited

Bank name: ICBC Guiyang Yunyan Branch

Bank account: 2402 0003 2900 5411 884

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 137,151,656.67 after taxation.
    - 2.1.1 The above total consideration includes the before-taxation consideration RMB 14,924,665.00 for buildings at VAT rate of 5%, totaled RMB 15,670,898.25 after taxation,
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- 2.1.2 The above total consideration includes the before-taxation consideration RMB 117,942,483.90 for equipment at VAT rate of 3%, totaled RMB 121,480,758.42 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 137,151,656.67 after taxation.
    - 2.2.1 The above total consideration includes the before-taxation consideration RMB 14,924,665.00 for buildings at VAT rate of 5%, totaled RMB 15,670,898.25 after taxation,
    - 2.2.2 The above total consideration includes the before-taxation consideration RMB 117,942,483.90 for equipment at VAT rate of 3%, totaled RMB 121,480,758.42 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 20 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
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3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.

3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

5.1 Representations and warranties of Party A

5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.

5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.

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- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
  - 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
  - 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement ("**Third Party Claims**"), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.
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In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Guiyang Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
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10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Guizhou Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ WU Ya, YANG Qing

Date: 9 August 2019

The Purchaser: China Mobile Group Guizhou Company Limited (chop)

Legal Person or legal representative: /s/ MU Shaofeng, CHEN Yun

Date: 9 August 2019

Appendix: The Sale Assets List

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Haikou, Hainan:

The Vendor: Hainan Xintong Communication Services Company Limited (“**Party A**”)

Legal Person: XIAO Lei

Address: 63 Da Ying Village, Haikou, Hainan

The Purchaser: China Mobile Group Hainan Company Limited (“**Party B**”)

Legal Person: XIAO Lei

Address: 88 Jin Long Road, Haikou, Hainan

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, land and buildings, vehicles, super base stations in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendices 1 and 2 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 1,490,065.48 after taxation, among which, the before-taxation consideration for buildings is RMB 1,275,630 at the VAT rate of 5% and the tax amount is RMB 1,339,411.5; the before-taxation consideration for equipment is RMB 146,266 at the VAT rate of 3% and the tax amount is RMB 150,653.98.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 1,490,065.48 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## 6. Default and Liabilities

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. Force Majeure

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendices constitute an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in two (2) original counterparts, one of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Haonan Xintong Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ XIAO Lei

Date: 9 August 2019

The Purchaser: China Mobile Group Hainan Company Limited (chop)

Legal Person or legal representative: /s/ XIAO Lei

Date: 9 August 2019

Appendix 1: The Sale Assets List

Appendix 2: The Sale Assets List of Equipment and Fibers

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Shijiazhuang:

The Vendor: Hebei Communication Services Company Limited (“**Party A**”)  
Legal Person: LIU Dianfeng  
Address: 136 Dong Feng Road, Shijiazhuang

The Purchaser: China Mobile Group Hebei Company Limited (“**Party B**”)  
Legal Person: LIU Dianfeng  
Address: 136 Dong Feng Road, Shijiazhuang

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 6,975,025.54 after taxation, and RMB 6,750,793.22 before taxation
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 6,975,025.54 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
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- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### 4. Taxes

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### 5. Representations and Warranties

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## 6. Default and Liabilities

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. Force Majeure

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

## **8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

## **9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Shijiazhuang Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

## **10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

## **11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in two (2) original counterparts, one of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Hebei Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ YANG Zhaohui

Date: 9 August 2019

The Purchaser: China Mobile Group Hebei Company Limited (chop)

Legal Person or legal representative: /s/ YANG Zhaohui

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Heilongjiang:

The Vendor: Heilongjiang Communication Services Company Limited (“**Party A**”)  
Legal Person: CHEN Wenyue  
Address: 70 Wen Chang Street, Nan Gang District, Harbin, Heilongjiang

The Purchaser: China Mobile Group Heilongjiang Company Limited (“**Party B**”)  
Legal Person: CHEN Wenyue  
Address: 168 Xin Wan Road, Song Bei District, Harbin, Heilongjiang

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 9,161,485.28 after taxation, among which, the consideration before taxation is RMB 8,457,542.95 and the value-added tax is RMB 703,942.33.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 9,161,485.28 after taxation, among which, the consideration before taxation is RMB 8,457,542.95 and the value-added tax is RMB 703,942.33.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### 4. Taxes

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### 5. Representations and Warranties

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## 6. Default and Liabilities

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. Force Majeure

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

## **8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

## **9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Harbin Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

## **10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

## **11. Miscellaneous**

- 11.1 The appendices constitute an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 The Appendices of this Agreement include: 1. the Sale Assets List and 2. Description of Defects of Property Rights. This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Heilongjiang Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ MA Xianzhi

Date: 9 August 2019

The Purchaser: China Mobile Group Heilongjiang Company Limited (chop)

Legal Person or legal representative: /s/ CHEN Wenyue

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Zhengzhou:

The Vendor: Henan Feida Communication Development Company Limited (“**Party A**”)

Legal Person: ZHANG Hongxing

Address: 12 Gong Yi Street, Zhengzhou

The Purchaser: China Mobile Group Henan Company Limited (“**Party B**”)

Legal Person: YANG Jianyu

Address: 48 Jing San Road, Zhengzhou

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, land and buildings, vehicles, super base stations in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 13,872,706.70 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 13,872,706.00 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 3%, 5% and 13% when Party B pays Party A any consideration under this Agreement.
  - 2.4 Party A’s bank account information for settlement is as follows:  
Account name: Henan Feida Communication Development Company Limited  
Bank name: ICBC Zhengzhou Branch  
Bank account: 1702029119201087928
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within [ ] days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### 4. Taxes

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### 5. Representations and Warranties

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is Henan Feida Communication Development Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is China Mobile Group Henan Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## 6. Default and Liabilities

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. Force Majeure

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

## **8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

## **9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Hefei Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

## **10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

## **11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in two (2) original counterparts, one of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Henan Feida Communication Development Company Limited (chop)

Legal Person or legal representative: /s/ YIN Yongjie

Date: 9 August 2019

The Purchaser: China Mobile Group Henan Company Limited (chop)

Legal Person or legal representative: /s/ YANG Jianyu

Date:

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CMHB-201900810

**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Wuhan, Hubei:

The Vendor: Hubei Communication Services Co., Ltd. (“**Party A**”)

Legal Person: FAN Bingheng

Address: 36 Ma Chang Jiao Xiao Road, Jiangnan District, Wuhan

The Purchaser: China Mobile Group Hubei Company Limited (“**Party B**”)

Legal Person: FAN Bingheng

Address: 66 Chang Qing San Road, Jiangnan District, Wuhan

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix: Scope of the Sale Assets.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 12,328,671.82 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the consideration of RMB 12,328,671.82 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration at the legal tax rates when Party B pays Party A any consideration under this Agreement.
- 2.4 Both Parties’ bank information for settlement are as follows:

Party A: Hubei Communication Services Co., Ltd.

TIN: 914200007146985274

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Account name: Hubei Communication Services Co., Ltd.  
Bank name: ICBC Wuhan Shui Guo Lake Branch  
Bank account: 3202016529200024225

Party B: China Mobile Group Hubei Company Limited  
TIN: 914200007109374127  
Account Name: China Mobile Group Hubei Company Limited  
Bank name: China Mobile Group Finance Co., Ltd.  
Bank account: 8888016100089008

A Party shall inform the other Party in writing 10 days in advance if the above accounts need to be changed. If one Party fails to inform the other Party in accordance with the provision hereof and causes losses, the Party shall compensate the other Party.

In the course of performing this Agreement, if the national tax policy is changed, the after-taxation consideration for the unperformed part of this Agreement shall be re-calculated at the new tax rates on the basis that the original after-taxation amount remains. No supplementary agreement shall be executed.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
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- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

**4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

**5. Representations and Warranties**

5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
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- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
  - 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
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- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

## **8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

## **9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Wuhan Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

## **10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
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10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendices constitute an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

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The Vendor: Hubei Communication Services Co., Ltd. (chop)

Legal Person or legal representative: /s/ FAN Bingheng

Date: 9 August 2019

The Purchaser: China Mobile Group Hubei Company Limited (chop)

Legal Person or legal representative: /s/ ZHANG Shaoming

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Changsha:

The Vendor: Hunan Communication Services Co., Ltd. (“**Party A**”)

Legal Person: QIU Wenhui

Address: Room 771, 7/F., Yunlong Show Zone Management Committee, Zhuzhou, Hunan

The Purchaser: China Mobile Group Hunan Company Limited (“**Party B**”)

Legal Person: QIU Wenhui

Address: 489 Che Zhan Bei Road, Changsha, Hunan

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1: 0011 Appraisal Details in Asset-based Approach (Hunan) (0722 final version).
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total before-taxation consideration was determined subject to appraised value, which is RMB 7,572,611.95. After confirmation, the before-taxation amount for the Sale Assets at tax rate of 3% is RMB 7,214,350.95 with taxation of RMB 216,430.53, and RMB 358261.00 with taxation of RMB 46,573.93 for those at tax rate of 13%, which totaled RMB 7,572,611.95 with taxation of RMB 263,004.46. So the total after-taxation consideration is RMB 7,835,616.41.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the consideration of RMB 7,835,616.41 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 90 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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**4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

**5. Representations and Warranties**

5.1 Representations and warranties of Party A

- 5.1.1 Party A is a company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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Appendix 1: 0011 Appraisal Details in Asset-based Approach (Hunan) (0722 final version)

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The Vendor: Hunan Communication Services Co., Ltd. (chop)

Legal Person or legal representative: /s/ QIU Wenhui

Date: 9 August 2019

The Purchaser: China Mobile Group Hunan Company Limited (chop)

Legal Person or legal representative: /s/ QIU Wenhui

Date: 9 August 2019

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CMNM-201901259

**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Hohhot:

The Vendor: Neimenggu Communication Services Company Limited (“**Party A**”)

Legal Person: YANG Yuehui

Address: 61 Hu Lun Nan Road, New Town District, Hohhot

The Purchaser: China Mobile Group Neimenggu Company Limited (“**Party B**”)

Legal Person: YANG Yuehui

Address: 39 Teng Fei Nan Road, Sai Han District, Hohhot

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 180,988,242.29 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 180,988,242.29 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 3% and 5% when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 180 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

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**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Hohhot Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

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The Vendor (Party A): Neimenggu Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ YANG Yuehui

Date: 9 August 2019

The Purchaser (Party B): China Mobile Group Neimenggu Company Limited (chop)

Legal Person or legal representative: /s/ YANG Yuehui

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Nanchang, Jiangxi:

The Vendor: Jiangxi Communication Services Company Limited (“**Party A**”)  
Legal Person: LIN Hao  
Address: Jinyuan Tower, Tao Yuan Estate, Xi Hu District, Nanchang, Jiangxi

The Purchaser: China Mobile Group Jiangxi Company Limited (“**Party B**”)  
Legal Person: LIN Hao  
Address: 58 Zi An Road, Xi Hu District, Nanchang, Jiangxi

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, buildings, transmission fibers and poles, machinery equipment in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 14,130,468.79 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 14,130,468.79 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
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- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Nanchang Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in two (2) original counterparts, one of which shall be retained by each Party. Each original counterpart has the equal legal validity.

Appendix: The Sale Assets List

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The Vendor: Jiangxi Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ CHENG Jiang  
Date: 9 August 2019

The Purchaser: China Mobile Group Jiangxi Company Limited (chop)

Legal Person or legal representative: /s/ CHENG Jiang  
Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Shenyang:

The Vendor: Liaoning Communication Services Company Limited (“**Party A**”)

Legal Person: LANG Kuiping

Address: 6-2 A Xin Long Street, Dong Ling District, Shenyang

The Purchaser: China Mobile Group Liaoning Company Limited (“**Party B**”)

Legal Person: LANG Kuiping

Address: 6 Xin Long Street, Dong Ling District, Shenyang

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 3,798,967.00 before taxation, and the total VAT of which is RMB 420,691.51. The consideration for those assets at the tax rate of 3% is RMB 731,742.00 with VAT at RMB 21,952.26. The consideration for those assets at the tax rate of 13% is RMB 3,067,225.00 with VAT at RMB 398,739.25. If the VAT amount is different with the amount in the official invoice, the actual amount in the official invoice shall prevail.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 3,798,967.00 before taxation, and the VAT is RMB 420,691.51. If the VAT amount is different with the amount in the official invoice, the actual amount in the official invoice shall prevail.
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- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

**3. The Transfer of Assets and Rights within the Scope of the Subject Matter**

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
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3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

**4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

**5. Representations and Warranties**

5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
  - 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
  - 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
  - 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.
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5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the People's Court with jurisdiction.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Liaoning Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ PENG Xia

Date: 26 August 2019

The Purchaser: China Mobile Group Liaoning Company Limited (chop)

Legal Person or legal representative: /s/ LANG Kuiping

Date: 26 August 2019

Appendix: The Sale Assets List

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**Assets Transfer Agreement**

**between China Mobile Group Ningxia Company Limited and Ningxia  
Communication Services Company Limited**

Party A: Ningxia Communication Services Company Limited

Party B: China Mobile Group Ningxia Company Limited

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To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1: The Scope of the Sale Assets hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 709,229.52 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 709,229.52 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration at the tax rate of 2% when Party B pays Party A any consideration under this Agreement.

**3. The Transfer of Assets and Rights within the Scope of the Subject Matter**

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
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- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

- 5.1 Representations and warranties of Party A
- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
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- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
  - 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.
- 5.2 Representations and warranties of Party B
- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
  - 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
  - 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
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6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

## **8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

## **9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Yinchuan Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

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**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in eight (8) original counterparts, four of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

The Vendor (Party A): Ningxia Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ ZHANG Hongxing

Date:

The Purchaser (Party B): China Mobile Group Ningxia Company Limited (chop)

Legal Person or legal representative: /s/ WANG Xiaohui

Date:

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Xining, Qinghai:

The Vendor: Qinghai Communication Services Company Limited (“**Party A**”)

Legal Person: YU Yunfeng

Address: 56 Xi Guan Avenue, Xining, Qinghai

The Purchaser: China Mobile Group Qinghai Company Limited (“**Party B**”)

Legal Person: YU Yunfeng

Address: 48 Kunlun Dong Road, East Economy Developing Zone, Xining, Qinghai

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The consideration was determined subject to appraised value, which is RMB 14,932,945.46 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the consideration of RMB 14,932,945.46 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 3% for movable property estate and 5% for real estate when Party B pays Party A any consideration under this Agreement.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
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- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 60 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### **5.1 Representations and warranties of Party A**

- 5.1.1 Party A is Qinghai Communication Services Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### **5.2 Representations and warranties of Party B**

- 5.2.1 Party B is China Mobile Group Qinghai Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Qinghai Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ YU Yunfeng

Date: 9 August 2019

The Purchaser: China Mobile Group Qinghai Company Limited (chop)

Legal Person or legal representative: /s/ LIU Jiayue

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Lhasa, Xizang:

The Vendor: Xizang Communication Services Company Limited (“**Party A**”)

Legal Person: ZHOU Min

Address: 84 Jin Zhu Xi Road, Lhasa

The Purchaser: China Mobile Group Xizang Company Limited (“**Party B**”)

Legal Person: ZHOU Min

Address: 84 Jin Zhu Zhong Road, Lhasa

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 17,955,717.47 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the consideration of RMB 17,955,717.47 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration at the tax rate of 2% when Party B pays Party A any consideration under this Agreement.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
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- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within [ ] upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### 4. Taxes

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

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## 5. Representations and Warranties

### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
  - 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
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5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.
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**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Beijing Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
- 11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.
- 11.4 This Agreement is executed in two (2) original counterparts, one of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Xizang Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ ZHOU Min

Date:

The Purchaser: China Mobile Group Xizang Company Limited (chop)

Legal Person or legal representative: /s/ ZHOU Min

Date:

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**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Beijing:

The Vendor: Beijing Communication Services Company Limited (“**Party A**”)

Legal Person: XIA Bing

Address: 2 Xia Guang Lane, Chao Yang District, Beijing

The Purchaser: China Mobile Group Beijing Company Limited (“**Party B**”)

Legal Person: XIA Bing

Address: 7 Dong Zhi Meng Nan Avenue, Dong Cheng District, Beijing

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, the properties and buildings, transmission equipment, emergency vehicles in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The consideration was determined subject to appraised value, which is RMB18,909,602.23 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the consideration of RMB18,909,602.23 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 5% and 13% when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### **5.1 Representations and warranties of Party A**

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### **5.2 Representations and warranties of Party B**

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.  
In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.
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**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Beijing Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendix confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

Appendix 1: The Sale Assets list

(Reminder of this page intentionally left blank)

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The Vendor: Beijing Communication Services Company Limited (chop)

Legal Person or legal representative: /s/SHI Xuejun

Date: 9 August 2019

The Purchaser: China Mobile Group Beijing Company Limited (chop)

Legal Person or legal representative: /s/SHI Xuejun

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Changchun:

The Vendor: Jilin Communication Services Company Limited (“**Party A**”)

Legal Person: LI Li

Address: 2899 Jie Fang Avenue, Changchun, Jilin

The Purchaser: China Mobile Group Jilin Company Limited (“**Party B**”)

Legal Person: LI Li

Address: 2899 Jie Fang Avenue, Changchun, Jilin

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB16,577,921.99 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB16,577,921.99 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 3% and 5% when Party B pays Party A any consideration under this Agreement.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
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- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 10 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### **5.1 Representations and warranties of Party A**

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### **5.2 Representations and warranties of Party B**

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.
- In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to litigation solution by the Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Jilin Communication Services Company Limited (chop)

Legal Person or legal representative: /s/YANG Guangyu

Date: 9 August 2019

The Purchaser: China Mobile Group Jilin Company Limited (chop)

Legal Person or legal representative: /s/ YANG Guangyu

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Xi'an:

The Vendor: Shaanxi Communication Industrial Company Limited ("**Party A**")

Legal Person: ZHUO Feng

Address: 60 Jin Ye Yi Road, Xi'an

The Purchaser: China Mobile Group Shaanxi Company Limited ("**Party B**")

Legal Person: ZHUO Feng

Address: 60 Jin Ye Yi Road, Xi'an

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the "**Sale Assets**") comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the "Village Connect" project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the "**Completion Date**"). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 12,336,286.88 after taxation, and RMB 11,975,920.00 before taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 12,336,286.88 after taxation, and RMB 11,975,920.00 before taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 5% for real estate and 3% for movable property and other equipment when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within [ ] days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### **5.1 Representations and warranties of Party A**

- 5.1.1 Party A is Shaanxi Communication Industrial Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### **5.2 Representations and warranties of Party B**

- 5.2.1 Party B is China Mobile Group Shaanxi Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Xi'an Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Shaanxi Communication Industrial Company Limited (chop)

Legal Person or legal representative: /s/ ZHUO Feng

Date: 9 August 2019

The Purchaser: China Mobile Group Shaanxi Company Limited (chop)

Legal Person or legal representative: /s/ JIA Peng

Date: 9 August 2019

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CMSD-201901113

**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Jinan:

The Vendor: Shandong Communication Services Company Limited (“**Party A**”)  
Legal Person: ZHANG Xuan  
Address: 84 Wei Er Road, Jinan

The Purchaser: China Mobile Group Shandong Company Limited (“**Party B**”)  
Legal Person: ZHANG Xuan  
Address: 20569 Jing Shi Road, Jinan

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, super base station equipment, satellite telephones, emergency vehicles. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 5,082,386.39.21 after taxation.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 5,082,386.39 after taxation.
- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 3% and 13%% when Party B pays Party A any consideration under this Agreement.

**3. The Transfer of Assets and Rights within the Scope of the Subject Matter**

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
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- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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**4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

**5. Representations and Warranties**

5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Jinan Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Shandong Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ ZHANG Xuan

Date: 9 August 2019

The Purchaser: China Mobile Group Shandong Company Limited (chop)

Legal Person or legal representative: /s/ YU Zhiming

Date: 9 August 2019

Appendix 1: The Sale Assets list

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Taiyuan:

The Vendor: Shanxi Communication Services Company Limited (“**Party A**”)

Legal Person: WEI Chunhui

Address: 39 Shuang Ta Xi Street, Ying Ze District, Taiyuan

The Purchaser: China Mobile Group Shanxi Company Limited (“**Party B**”)

Legal Person: WEI Chunhui

Address: 25 Wu Luo Street, Economy & Tech. Development Zone, Taiyuan, Shanxi

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 37,762,019.21 after taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 37,762,019.21 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.
  - 2.4 The relevant settlement information is set as follows:  
Party A’s name: Shanxi Communication Services Company Limited  
TIN: 91140000715933445R  
Account name: Shanxi Communications Services Company Limited
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Bank name: Agriculture Bank of China Taiyuan Qin Xian Branch  
Bank account: 102001040008943  
Address: 39 Shuang Ta Xi Road, Taiyuan  
Telephone: 0351-2269999

Party B's name: China Mobile Group Shanxi Company Limited  
TIN: 91140000710937455Q  
Account Name: China Mobile Group Shanxi Company Limited  
Bank name: ICBC Taiyuan Ying Ze Branch  
Bank account: 0502121109032119985  
Address: Tower A, China Mobile Building, Wu Luo Street, Economy & Tech. Development Zone, Taiyuan, Shanxi  
Telephone: 0351-2269999

Any Party shall write to inform the other Party 10 days in advance for changing its account information. One Party shall compensate the other Party in case it fails to inform the other Party in accordance with the provision hereof and causes any losses.

### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 20 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A's rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A's fault.
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- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
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- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
  - 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
  - 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
  - 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
  - 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement ("**Third Party Claims**"), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.
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In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
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10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Shanxi Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ ZHANG Lei

Date: 9 August 2019

The Purchaser: China Mobile Group Shanxi Company Limited (chop)

Legal Person or legal representative: /s/ ZHANG Ruidong

Date: 9 August 2019

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**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Chengdu:

The Vendor: Sichuan Communication Services Company Limited (“**Party A**”)

Legal Person: ZHAO Dachun

Address: Qing Yang Zheng Road, Qing Yang District, Chengdu, Sichuan

The Purchaser: China Mobile Group Sichuan Company Limited (“**Party B**”)

Legal Person: ZHAO Dachun

Address: 10 Gao Peng Avenue, Hi-Tech District, Chengdu, Sichuan

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings, emergency vehicles in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB120,568,905.22 after taxation and RMB113,195,429.05 before taxation.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB120,568,905.22 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of tax rates at 9% for real estate and 13% for movable property when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 180 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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**4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

**5. Representations and Warranties**

5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## **6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## **7. Force Majeure**

7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.

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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Sichuan Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ZHAO Dachun

Date:

The Purchaser: China Mobile Group Sichuan Company Limited (chop)

Legal Person or legal representative: /s/ ZHAO Dachun

Date:

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Urumqi, Xinjiang:

The Vendor: Xinjiang Communication Services Company Limited (“**Party A**”)

Legal Person: YU Hui

Address: 1966 Hong Guang Shan Road, Shui Mo Gou District, Urumqi, Xinjiang

The Purchaser: China Mobile Group Xinjiang Company Limited (“**Party B**”)

Legal Person: YU Hui

Address: 1966 Hong Guang Shan Road, Shui Mo Gou District, Urumqi, Xinjiang

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings, emergency vehicles. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB 121,902,399.98 after taxation, including the before-taxation consideration of RMB 116,876,480.48 and taxation of RMB 5,025,919.50.
  - 2.2 Prior to 30 June 2020, Party B shall make a one-off payment in cash to Party A the total consideration of RMB 121,902,399.98 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration with a breakdown of VAT rates at 5% for real estate and 3% for movable property before the VAT reform; and 9% for real estate and 13% for movable property after the VAT reform when Party B pays Party A any consideration under this Agreement.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 12 months upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
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#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is Xinjiang Communication Services Co., Ltd. Which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### 5.2 Representations and warranties of Party B

- 5.2.1 Party B is China Mobile Group Xinjiang Company Limited, which is duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
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- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## 6. Default and Liabilities

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. Force Majeure

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
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7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to the Arbitration Commission where Party A locates for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

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The Vendor: Xinjiang Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ YU Hui

Date: 9 August 2019

The Purchaser: China Mobile Group Xinjiang Company Limited (chop)

Legal Person or legal representative: /s/ HU Yingdong

Date: 9 August 2019

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## Assets Transfer Agreement

This Agreement is entered into between the following parties on 9 August 2019 in Kunming:

The Vendor: Yunnan Communication Services Company Limited (“**Party A**”)  
Legal Person: Ma Kui  
Address: 136 Beijing Road, Kunming, Yunnan

The Purchaser: China Mobile Group Yunnan Company Limited (“**Party B**”)  
Legal Person: Ma Kui  
Address: 2 Qian Fu Road, Xi Shan District, Kunming, Yunnan

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

### 1. The Subject Matter

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, optic fibers and pipelines, land and buildings, project materials in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

### 2. Consideration and Payment

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB39,211,604.12 after taxation, the final amount of which pending on the official receipt.
  - 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the consideration of RMB39,211,604.12 after taxation.
  - 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement. The tax rates are set out in Appendix 1: The Sale Assets list.
  - 2.4 In case the tax policy is adjusted, the aggregate amount shall be adjusted accordingly on the basis that the before-taxation amount remains.
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### 3. The Transfer of Assets and Rights within the Scope of the Subject Matter

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
  - 3.2 The delivery of assets within the scope of the Subject matter hereunder (the “**Delivery**”) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 30 days upon the Completion Date hereunder and bear the relevant expenses.
  - 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
  - 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the “**Transferred Contracts**”) in principle. Party A’s rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the “**Contracts Not Transferred**”), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A’s fault.
  - 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
  - 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.
-

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### **5.1 Representations and warranties of Party A**

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
- 5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.
- 5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

##### **5.2 Representations and warranties of Party B**

- 5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
-

- 5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

## 6. Default and Liabilities

- 6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.
- 6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.
- 6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

## 7. Force Majeure

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
-

7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

#### **8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

#### **9. Applicable Law and Dispute Settlement**

9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.

9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Kunming Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

#### **10. Default Liabilities**

10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.

10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

#### **11. Miscellaneous**

11.1 The appendix constitutes an inseverable part of this Agreement.

11.2 Both Parties shall keep the content of this Agreement and its appendix confidential.

11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

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The Vendor: Yunnan Communication Services Company Limited (chop)

Legal Person or legal representative: /s/HUANG Ping

Date:

The Purchaser: China Mobile Group Yunnan Company Limited (chop)

Legal Person or legal representative: /s/ FENG Yi

Date:

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CMAH-201901054

**Assets Transfer Agreement**

This Agreement is entered into between the following parties on 9 August 2019 in Hefei:

The Vendor: Anhui Communication Services Company Limited (“**Party A**”)

Legal Person: QIAN Li

Address: 450 Chang Jiang Xi Road, Hefei

The Purchaser: China Mobile Group Anhui Company Limited (“**Party B**”)

Legal Person: QIAN Li

Address: 609 Huang Shan Road, Hefei

To clarify the rights and obligations of both parties, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements.

**1. The Subject Matter**

- 1.1 The sale assets under this Agreement (hereinafter the “**Sale Assets**”) comprise, among other things, 2G equipment, pipelines and optic fibers, land and buildings in relation to the “Village Connect” project. The detailed Sale Assets is listed in the Appendix 1 hereof.
- 1.2 The completion date of this transaction hereunder is 9 August 2019 (the “**Completion Date**”). After the Completion Date, the leasing fees for the Sale Assets will cease to be payable by Party B to Party A.

**2. Consideration and Payment**

- 2.1 The appraisal of the Sale Assets under this Agreement was conducted by China United Assets Appraisal Group Co., Ltd. The total consideration was determined subject to appraised value, which is RMB19,638,366.37 after taxation, among which, the consideration before taxation is RMB18,445,956.19 and the value-added tax is RMB1,192,410.18.
- 2.2 Within thirty (30) days after Completion and compliance with the related registration procedures, Party B shall make a one-off payment in cash to Party A the total consideration of RMB19,638,366.37 after taxation.

Party A’s name: Anhui Communication Services Company Limited

TIN: 91340000705041152X

Bank name: ICBC Hefei Si Pai Lou Branch

Bank account: 1302010109022122186

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Address: 609 Huang Shan Road, Hefei  
Party B's name: China Mobile Group Anhui Company Limited  
TIN: 91340000738938329N  
Account Name: China Mobile Group Anhui Company Limited  
Bank name: BOC Bei Cheng Branch  
Bank account: 179704369360  
Address: 609 Huang Shan Road, Hefei, Anhui  
Telephone no.: 0551-62791228

- 2.3 Party A shall provide Party B an original and a copy of the official VAT receipt indicating the contract number and the aggregate after-taxation consideration when Party B pays Party A any consideration under this Agreement.

**3. The Transfer of Assets and Rights within the Scope of the Subject Matter**

- 3.1 The assets and rights within the scope of the Subject shall be transferred from Party A to Party B after the Completion Date stipulated in Article 1.2. The handover personnel and address in relation to the transfer of assets and relevant information of the Subject matter shall be agreed otherwise by both Parties.
- 3.2 The delivery of assets within the scope of the Subject matter hereunder (the **"Delivery"**) shall be completed in accordance with the relevant laws and regulations, including but not limited to the delivery of movable property, transfer and registration of real estate and others. Party A shall complete the Delivery within 60 days upon the Completion Date hereunder and bear the relevant expenses.
- 3.3 For the purpose of completing the Delivery, both Parties agree that all rights and interests related to the Subject matter including but not limited to secured debts, mortgage, pledges, are transferred to Party B on the same time. Party A shall be responsible for the transfer of proprietary rights and change of ownership related to the relevant assets and bear the relevant expenses.
- 3.4 For the purpose of completing the Delivery, all contracts Party A had entered into in relation to the Sale Assets of the Subject matter shall be transferred to Party B (the **"Transferred Contracts"**) in principle. Party A's rights and obligation under Transferred Contracts shall be borne and enjoyed by Party A on and before the Completion Date, and resumed by Party B after the Completion Date. If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract before the Completion Date (the **"Contracts Not Transferred"**), such contracts shall be held by Party A on trust for Party B. Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Completion Date shall be assigned to Party B. Party B shall compensate Party A for any losses and extra expenses incurred except for those incurred due to Party A's fault.
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- 3.5 The Sale Assets and related information are under common custody of Party A and Party B during the period of time when both Parties handover the transfer and delivery of the Sale Assets and information. During this period, the incomes generated from the Sale Assets belong to Party B. After the completion of the transfer and delivery of the Sale Assets and information, Party A will no longer be responsible for managing the Sale Assets (rights) and related information except for those empowered by Party B.
- 3.6 Under the circumstance where Party B could fully perform the provision of Article 2 hereunder, Party A agree to notify each obligors of the Sale Assets with respect to the transfer of the Sale Assets (rights) from Party A to Party B, by means of an announcement or, if necessary, any other ways required by relevant laws and regulations, within 60 days after the execution of this Agreement or any other period of time agreed by Party B in writing.

#### **4. Taxes**

Both Parties shall respectively bear its taxes incurred from the transfer of the Sale Assets under this Agreement according to laws and regulations.

#### **5. Representations and Warranties**

##### 5.1 Representations and warranties of Party A

- 5.1.1 Party A is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.
- 5.1.2 The execution and performance of this Agreement by Party A will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party A, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.
- 5.1.3 Except otherwise required by related laws, regulations and regulatory authorities, Party A warrants to keep confidential of any commercial information and materials in writing or any other forms that have come into its acknowledges due to its execution and performance of this Agreement, and will not disclose to any third parties in writing, oral or any other forms.
- 5.1.4 Party A has all related rights which the owner of the Transferred Assets shall have based on the original title status, and such title may be transferred or disposed of according to laws, and will not be restricted by any undisclosed detention, mortgage or other third-party's rights.
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5.1.5 Starting from the execution date of this Agreement until the completion of delivery of all transferred assets, Party A warrants not to make any additional encumbrances, the Sale Assets are not the subject of any disposal of or transfer, and there is no material adverse change to the Sale Assets.

5.1.6 All necessary property insurance policies purchased prior to the delivery of the Sale Assets shall remain valid.

5.2 Representations and warranties of Party B

5.2.1 Party B is a limited liability company duly incorporated and legally exists under the laws of China, a qualified independent legal person with all necessary rights, powers and capacities to sign this Agreement and perform this Agreement.

5.2.2 The execution and performance of this Agreement by Party B will not conflict with its existing Articles of Association, internal constitutional documents or any contracts or agreements or obligations entered into by Party B, and will not violate any applicable laws and regulations, judicial judgements and rules, or administrative authorizations, orders and decisions.

5.2.3 Party B represent that due diligence has been carried out on the nature, amount, truthfulness, legitimate, effectiveness, whether this is any legal barriers to realize its rights, with respect to the Sale Assets and rights of the Subject matter stated in Article 1 hereunder and listed in its appendix, and agrees to purchase the Sale Assets as it is.

**6. Default and Liabilities**

6.1 The violation by any party of any obligations under this Agreement shall constitute a default. The default party shall make compensation to the other party for its actual losses incurred.

6.2 Under circumstance where there is a particular provision in any other Articles of this Agreement with respect to default liabilities, the particular provision shall prevail.

6.3 In case any third party claims occur after the Completion Date but arising out of events or facts of the Sale Assets before the Completion Date, if Party B is aware of any claims, law suits or threatened claims raised by any third parties, which should be borne by Party A according to this Agreement (“**Third Party Claims**”), Party B shall inform Party A of the Third Party Claims within 3 days after having received the notice and enable Party A to handle and bear its full responsibilities. In case the Third Party Claims are caused by events or facts of the Sale Assets after the Completion Date, if Party A is aware of such claims which should be borne by Party B according to this Agreement, Party A shall inform Party B within 3 days after having received the notice and enable Party B to handle and bear its full responsibilities.

In case any actual or potential disputes, claims or law suits in relation to the Sale Assets exist or occur in or prior to the Completion Date, or occur after the Completion Date but arising out of events of the Sale Assets happened in or prior to the Completion Date, which would cause any losses, liabilities, judgements or expenses to Party B, Party A shall compensate Party B for its actual losses incurred.

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**7. Force Majeure**

- 7.1 If earthquake, typhoon, flood, fire, explosion or any other force majeure events occurs and causes one Party hereof to delay or fail to perform its obligations hereunder, the impacted party shall notify the other party immediately, and provide, within 15 days, a certificate stating the reasons why it delays or fails to perform its obligations in this Agreement.
- 7.2 If a force majeure event occurs, no Party shall be responsible for the losses suffered by the other Party for its failure or delay to perform this Agreement, the impacted party shall take immediate actions to do its best to reduce or eliminate the impacts of the force majeure, though.

**8. Effectiveness**

This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.

**9. Applicable Law and Dispute Settlement**

- 9.1 The execution, effectiveness, interpretation, performance and dispute settlement of this Agreement shall be governed by the PRC law.
- 9.2 Any dispute arising out of the performance of or in connection with this Agreement shall be submitted to Hefei Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties.

**10. Default Liabilities**

- 10.1 Any amendment of this Agreement shall be effective only if both Parties consent in writing and signed a supplementary agreement.
- 10.2 After this Agreement has come into effect, any changes of China laws, regulations, rules or judicial interpretations shall not constitute the reason for one Party to claim the invalidity of this Agreement.

**11. Miscellaneous**

- 11.1 The appendix constitutes an inseverable part of this Agreement.
- 11.2 Both Parties shall keep the content of this Agreement and its appendices confidential.
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11.3 For any matters not covered in this Agreement, both Parties shall discuss and execute a supplementary agreement. The supplementary agreement has equal legal validity with this Agreement.

11.4 This Agreement is executed in six (6) original counterparts, three of which shall be retained by each Party. Each original counterpart has the equal legal validity.

(Reminder of this page intentionally left blank)

The Vendor: Anhui Communication Services Company Limited (chop)

Legal Person or legal representative: /s/ QIAN Li

Date: 9 August 2019

The Purchaser: China Mobile Group Anhui Company Limited (chop)

Legal Person or legal representative: /s/ QIAN Li

Date: 9 August 2019

# **2020 Network Assets Leasing Agreement**

Between

**China Mobile Limited**

and

**China Mobile Communications Group Co., Ltd**

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## Contents

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# 2020 Network Assets Leasing Agreement

This Agreement is entered into on January 2, 2020 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 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 ("HKEx") and the New York Stock Exchange ("NYSE");
- (B) Party A directly or indirectly holds some wholly-owned or controlling subsidiaries engaging in basic and value-added telecommunications business in Mainland China and overseas;
- (C) Party B is the indirect controlling shareholder of Party A who holds some wholly-owned subsidiaries in Mainland 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 agreements 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**".

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1.2 The scope of the Network Assets shall be jointly determined by both parties. 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 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 leasing fees charged to any independent 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 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 no 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 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.

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**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 Listing Rules of Securities on the Stock Exchange of Hong Kong Limited (“ Hong Kong Listing Rules”) and valid from January 1 2020 to December 31, 2020.

**6. Non-disclosure**

Except otherwise provided for or required by laws or regulations, no party (including but not limited to its subsidiaries) shall provide or disclose any content of this Agreement or any 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 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 Economy 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 during the arbitration.
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**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)

China Mobile Limited

And

China Mobile Communications Group Co., Ltd.

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**Agreement on Use of Premises and Related Management Services**

**for the Years from 2020 to 2022**

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**Agreement on Use of Premises and Related Management Services  
for the Years from 2020 to 2022**

This Agreement was entered into on 2 January 2020 by and between:

- A. China Mobile Limited, a limited liability company incorporated and duly existing in accordance with Hong Kong law with its legal address at 60/F., The Center, 99 Queen's Road Central, Hong Kong (hereinafter referred to as "**Party A**"); and
- B. China Mobile Communications Group Co., Ltd., a wholly state-owned limited liability company incorporated and duly existing in accordance with the People's Republic of China (hereinafter as "**PRC**") law with its legal address at No.29, Jin Rong Avenue, Xi Cheng District, Beijing, the PRC (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:

To facilitate the development of their mobile telecommunications business and engage in normal production and operating activities in their normal operations, the Parties and its respective subsidiaries need to use certain premises owned by each other Parties and its subsidiaries or the use right of which has been obtained from any third party by each other Parties and its subsidiaries, and need the related supplementary management services from each other Parties and its relevant subsidiaries

**THEREFORE**, following adequate consultation and on the basis of equality and mutual benefit, the Parties have concluded the following agreements:

**1. Provision of Premises to Each Other Parties**

- 1.1** In this Agreement, any Parties which are to provide premises are collectively called as "**the Landlords**", while any Parties that are to use the premises provided by the Landlords are collectively called as "**the Tenants**".
- 1.2** The premises provided by the Landlords for the use of the Tenants include:
  - 1.2.1** Certain of their existing proprietary premises, including land and buildings, equipment and facilities affixed to and in such buildings, such as air conditioners, water, heat, light and power supplies (hereinafter referred to as "**Proprietary Premises**"); and
  - 1.2.2** Certain of premises of which the Landlords have already obtained the use right from third parties, including land and buildings, equipment and facilities affixed to and in such buildings, such as air conditioners, water, heat, light and power supplies (hereinafter referred to as "**Third Party Premises**").

The above "**Proprietary Premises**" and "**Third Party Premises**" are collectively called as "**Leased Premises**" hereinafter.

- 1.3** Each and all responsibilities, obligations and interests arising from the performance of this Agreement by the Parties and its subsidiaries as the Tenants and as the Landlords in accordance with terms of this Agreement shall ultimately be performed and enjoyed by the actual Tenants/Landlords respectively.
- 1.4** The leasing scope shall be determined by the Landlords and Tenants by consensus. During the term of this Agreement, the Tenants may, due to its operational needs, send its leasing plans to the Landlords to either increase or adjust the amount of the Leased Premises. The leasing scope hereunder shall be adjusted accordingly after the above-mention leasing plans have been confirmed by the Landlords.

## 2. Usage of Premises

- 2.1 The Tenants shall use the Leased Premises as and/or for offices, retail outlets, operations, warehouses and other legitimate purposes as agreed upon by the Parties.
- 2.2 The Tenants shall not transfer or assign the right of use of the Leased Premises to any third party without the consent of the Landlords. For the avoidance of doubt, the Tenants may transfer or assign the right of use of the Leased Premises to their subsidiaries and charge fees in accordance with Article 4.1 hereunder.

## 3. Related Management Services

- 3.1 In this Agreement, any Parties which are to provide services are collectively called as “**the Service Providers**”, while any Parties that are to receive the services provided by the Service Providers are collectively called as “**the Service Receivers**”.
- 3.2 Such services shall include (but not limit to):
  - 3.2.1 Daily maintenance for such equipment and facilities inside the Leased Premises, such as air conditioners, water, electricity, heat, elevators and lights, etc.;
  - 3.2.2 Daily cleaning work of the Leased Premises and relevant garden maintenance within the scope of the Leased Premises;
  - 3.2.3 Payments for water, electricity, gas and others on behalf of the Tenants; and
  - 3.2.4 Daily security services for the Leased Premises.
- 3.3 With respect to the Proprietary Premises of the Parties, including land, buildings, equipment and facilities affixed to and in such buildings, such as air conditioners, water, heat, lights and power supplies (hereinafter referred to as “**Proprietary Premises**”), after the delivery of written notices by the Tenants to the landlords, the Landlords shall agree or urge its subsidiaries to provide the Tenants with supplementary comprehensive management services as stated in Article 3.2.
- 3.4 The Landlords may, with the written consents of the Tenants, entrust third parties to provide the Tenants with specific supplementary comprehensive management services, provided that the Landlords shall ensure that the service quality provided by any such third parties meets the requirements under this Agreement and conforms to the state standards and prevailing industry standards. The Landlords shall undertake the ultimate and full responsibilities for all obligations of the services provided by such third parties. Any additional charges arising from the entrustment of third parties shall be at the expense of the Landlords.

## 4. Payment of Utilization Fees and Related Service Charges

- 4.1 The utilization fees and related service charges for Proprietary Premises shall be charged in accordance with one of the following standards:
  - 4.1.1 the evaluation result of an independent intermediaries.
  - 4.1.2 a comparable market price or charging standard obtained from public resources.
  - 4.1.3 a price or charging standard for a non-related transaction between the Landlords and any independent third party.
  - 4.1.4 a price and any charging standards approved by relevant governmental authority.

- 4.2 As for the Third Party Premises used by the Tenants, the Tenants only need to pay the Landlords the actual amount of utilization fees and property management fees paid by the Landlords to the third parties (which should have been reviewed and confirmed by the Tenants in advance. The Landlords shall submit supplementary documents, such as the tenancy agreements with the third parties, rental period, settlement receipts of rental and property management fees, to the Tenants for examination) as well as taxes stipulated by the state. No other fees shall be charged by the Landlords to the Tenants. The Landlords may authorize its subsidiaries to provide the supplementary documents, such as tenancy agreements with any third parties, rental period, settlement receipts of rental and property management fees, to the Tenants or its authorized subsidiaries for examination. The Tenants may authorize its subsidiaries to do the examination on its behalf. Under the circumstances where the Landlords provide to the Tenants the management services described in Article 3 of this Agreement in relation to such Third Party Premises, the supplementary comprehensive management service charges of Third Party Premises charged to the Tenants shall not be higher than the generally comparable market standards for management fees.
- 4.3 With respect to provide the supplementary comprehensive management services described in Article 3.2 hereof in relation to any Party's Proprietary Premises, the Landlords/Service Providers shall charge the Tenants/Service Receivers the supplementary comprehensive management service fees in accordance with the standards speculated in the above Article 4.1.
- 4.4 The Tenants shall bear all the actual expenses incurred for water, electricity, heat and natural gas, etc. during the use of the Leased Premises.
- 4.5 Prior to March 15 and September 15 each year, the Parties shall complete the verification of the quantity of the Leased Premises and Proprietary Premises for which supplementary comprehensive management services are provided. Such utilization fees and management fees shall be settled every six months by the Tenants' subsidiaries that actually use the Leased Premises and/or receive the management services directly with the Landlords' subsidiaries that actually provide the Leased Premises and/or management services.
- 4.6 Where the Tenants delay the payment of utilization fees and management fees, it should pay the Landlords a penalty of 0.03% of any due amount for each day of delay.
- 4.7 Where the management services provided by the Service Providers and its subsidiaries do not meet the national standards, industrial specifications or requirements set forth under Article 5.5 of this Agreement, the Service Receivers may, at its discretion, make a deduction from the payment due for the month of services provided by the Service Providers and its subsidiaries. Where the Service Providers and its subsidiaries delay in providing such services, the Service Receivers may deduct 3% of the monthly charges as a penalty for each day of delay.
- 4.8 The Landlords shall bear any and all payments of taxes in relation to its Proprietary Premises used by the Tenants. The Service Providers shall bear any and all payments of taxes in relation to the management services provided for each Parties' Proprietary Premises.

## **5. Undertaking and Warranty**

- 5.1 Each Party hereto warrants to the other Party that this Agreement is valid, effective and equally binding to the Parties.
- 5.2 Each Party guarantees that, as the Landlord, it has the right to provide the Leased Premises to the Tenants for use. Where, on any occasions or for any reasons, the property right and/or use right of the Leased Premises is subject to any objection, which causes the Tenants unable to realize their use right under this Agreement or any other damages, the Landlords shall bear and compensate any and all direct economic losses thus incurred to the Tenants.

- 5.3 The Tenants guarantee to compensate any and all direct economic losses incurred to the Landlords where the Leased Premises are damaged intentionally by the Tenants.
- 5.4 The Landlords guarantee that the Leased Premises provided by the Landlords and delivered to the Tenants for use shall be in good conditions as required by the Tenants, and that the Landlords shall conduct regular inspection and repairs to these premises. Where the Tenants suffer any loss during the use of the Leased Premises due to the poor management of the Landlords, the Landlords shall compensate any and all direct economic losses thus incurred to the Tenants.
- 5.5 The Service Providers guarantee that they and their subsidiaries shall provide the comprehensive management services in conformity to the national standards and industrial prevailing specifications and meet the following basic requirements:

**5.5.1 Equipment and facilities**

To ensure the normal operation of the equipment and facilities, Party B shall improve its operation system for equipment and facilities, set up a filing system on equipment and facilities, strengthen its routine inspection and patrol, and conduct its regular maintenance.

**5.5.2 Environment and sanitation**

All-day cleanliness shall be maintained; offices, business premises, corridors and courtyards shall be tidy, sanitary and no garbage or sundries be allowed to be piled around; any problem discovered shall be solved in time.

**5.5.3 Landscaping**

Shall meet the related state standards. Plants shall be trimmed, fertilized and irrigated frequently and prevented from the attack by plant diseases and insect pests frequently.

**5.5.4 Security**

Shall meet the standards of morality, professionalism specialization and possess the service consciousness and strong defensive skills.

**5.5.5 Traffic order and car parking**

Traffic shall be in good order without random parking.

**5.5.6 Water, electricity and gas fees shall be paid on time.**

**5.5.7 Other related supplementary services shall be provided in time.**

**6. Decoration, Renovation and Exterior Publicity of the Leased Premises**

- 6.1 With the written consent of the Landlords, the Tenants may make decoration, renovation, installation, alteration and improvement inside or outside of the Leased Premises at their own expenses. Nevertheless, the Tenants shall guarantee that :
  - 6.1.1 Such decoration, renovation, installation, alteration and improvement shall not change any features of the Leased Premises in any substantial aspects ;
  - 6.1.2 All construction work related to the decoration, renovation, installation, alteration and improvement should be done in a proper manner so that all persons and premises can be protected and the Landlords' operations nearby will not be disturbed unreasonably ;

**6.1.3** Under the circumstances where all these construction work endangers or potentially endangers the original buildings, the Tenants shall be responsible for restoring any such buildings to their original forms and making relevant compensations.

**6.2** Provided that the Landlords' interests are not damaged, the Tenants may legally hang or post publicity materials or make enterprise or business promotions by other legal means within the scope of the Leased Premises. The Landlords and the Tenants should specify the advertising and publicity locations when leasing the Leased Premises. Upon the termination of this Agreement, the Tenants shall restore the Leased Premises to their original forms at their own expenses before returning them to the Landlords, or assign the property right of the decorated or renovated buildings of the Leases Premises to the Landlords, but the Landlords shall make appropriate compensations.

**7. Term of this Agreement**

This Agreement shall be effective upon due execution by the legal representatives, or their authorized representatives, of both Parties and the affixation of their official or contractual seals and the obtaining of all necessary approvals pursuant to relevant regulatory requirements (including but not limited to the compliance with or satisfaction of the relevant regulatory requirements of listing rules of the Stock Exchange of Hong Kong Limited by Party A), and shall be of validity from 1 January 2020 to 31 December 2022. The term for the use of the Third Party's Premises by the Tenants can be determined and agreed by the Tenants and the Landlords in accordance with the term of the original tenancy agreements entered into by the Landlords and any such third parties, but shall not exceed the term of this Agreement.

**8. Force Majeure**

In any event of force majeure which is unforeseeable, unavoidable and insurmountable to its happening and consequences, resulting in any inability on any Party or its subsidiaries to perform the related obligations hereunder, the affected Party shall immediately notify the other Party of such event, and provide the other Party within fifteen (15) days valid documents evidencing the detailed occurrence of such event and reasons for its inability or delay to perform all or part of such obligations under the Agreement. Upon the extent to which an event of force majeure affects the performance of such obligations, the Parties hereto shall consult each other so as to terminate or partially waive or extend the performance of such obligations.

**9. Confidentiality**

Save as otherwise provided or required by the laws or regulatory authorities, neither Party (including but not limited to its relevant subsidiaries) shall, without the prior written consent of the other Party (each Party shall not refuse or withhold to give the consent without any reasons), disclose the contents of this Agreement or any other materials or information related to the operations of the other Party to any companies, enterprises, organizations or individuals.

**10. Assignment**

Save as stated in Articles 2.2 and 3.4 under this Agreement, neither Party shall, without the prior written consents of the other Party, transfer or assign any and all of the right(s) or obligation(s) of itself or the Landlords or the Tenants under this Agreement to any third parties.

## **11. No Waiver**

Save as otherwise stipulated by the laws, failure or delay of exercising its rights, power or privileges under this Agreement by either Party shall not be construed as a waiver of these rights, power or privileges. Partial exercise of such rights, powers or privileges by one Party shall not affect any further exercise of such rights, power or privileges.

## **12. Notice**

Any notice related to this Agreement shall be made in writing and delivered in person, or by facsimile or post. Any notice shall be deemed as delivered at the time of delivery, if delivered in person; or at the time when the facsimile machine indicates successful submission, if delivered by facsimile; or on the fifth working day (shall be rescheduled if it is statutory holiday) after it has been posted, if delivered by post. Any notice shall become effective upon delivery.

## **13. Governing Law and Dispute Settlement**

**13.1** This Agreement shall be governed by, and interpreted and enforced, in accordance with the PRC law.

**13.2** 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 Economy 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 during the arbitration.

## **14. Miscellaneous**

**14.1** Following discussion and agreement by both Parties, this Agreement may be amended or supplemented by both Parties, and any amendment or supplement shall take effect after execution by the legal representatives or their authorized representatives of both Parties and after the affixation of the official or contractual seals. This Agreement shall be effective upon obtaining all necessary approvals from relevant regulatory authorities including but not limited to meeting the regulatory requirements set out in the Listing Rules of Securities on the Stock Exchange of Hong Kong Limited. The amendments or supplementary agreements and this Agreement shall have equal legal validity.

**14.2** This Agreement is severable. If any provision of this Agreement is determined to be invalid, unlawful or unenforceable, the validity and enforcement of other provisions shall not be affected.

**14.3** This Agreement can be copied to several counterparts and executed separately by both Parties. The duly executed counterparts shall constitute a valid agreement. If the Agreement is executed by counterparts, it shall be construed as duly executed after the both Parties have successfully transmitted their signed counterparts to each other by facsimile or email.

**14.4** This Agreement is written in Chinese and executed in four (4) original counterparts, two (2) of which shall be retained by each Party. Each original counterpart has equal legal validity.

PARTY A: CHINA MOBILE LIMITED

By: /s/ HUANG Jie  
Legal representative/authorized representative

PARTY B: CHINA MOBILE COMMUNICATIONS Group Co., Ltd.

By: /s/GAO Songge  
Legal representative/authorized representative

China Mobile Limited

And

China Mobile Communications Group Co., Ltd.

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**2020 Telecommunications Services Agreement**

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## 2020 Telecommunications Services Agreement

This Agreement was entered into on 2 January 2020 by and between:

- A. China Mobile Limited, a limited liability company incorporated and duly existing in accordance with Hong Kong law with its legal address at 60/F., The Center, 99 Queen's Road Central, Hong Kong (hereinafter referred to as "**Party A**"); and
- B. China Mobile Communications Group Co., Ltd., a wholly state-owned limited liability company incorporated and duly existing in accordance with the People's Republic of China (hereinafter as "PRC") law with its legal address at No.29, Jin Rong Avenue, Xi Cheng District, Beijing, the PRC (hereinafter referred to as "**Party B**").

### WHEREAS:

To facilitate the development of its mobile telecommunications business and engage in normal production and operating activities in their normal operations, Party B and its relevant subsidiaries require certain telecommunications construction services from Party A and its relevant subsidiaries.

**THEREFORE**, based on the principle of equally beneficiary to each other, following amicable consultation, both Parties have concluded the following agreements:

### 1. Provision and Receipt of Telecommunications Services

- 1.1 Party A agrees to urge its relevant subsidiaries to provide telecommunications services to Party B and its relevant subsidiaries in accordance with the terms and conditions hereof, and Party B agrees to urge its relevant subsidiaries to receive the telecommunications services provided by Party A and its subsidiaries in accordance with the terms and conditions hereof. In this Agreement, the party and its relevant subsidiaries which are to provide services are collectively called as "**the Providers**", while the party and its relevant subsidiaries that are to receive services provided are collectively as "**the Receivers**".
- 1.2 Each and all responsibilities, obligations and interests arising from the performance of this Agreement by the relevant subsidiaries of both Parties hereto in accordance with the terms of this Agreement as the Providers and Receivers shall ultimately be performed and/or enjoyed by the practical Providers or Receivers respectively.

### 2. The Services

Pursuant to this Agreement, the Providers shall provide the following telecommunications services:

#### 2.1 Planning, design and consultation of telecommunications projects

The telecommunications projects include, but not limited to, the construction of telecommunications networks, ducts, base stations, cabling, expansion of network capacity and renovation, installation and commissioning of facilities. The services include, but not limited to, planning, design and consultation of telecommunications projects, specific researches and demonstration of construction projects, compilation of project proposals, feasibility study reports and engineering design documentation.

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**2.2 Construction of telecommunications projects**

The telecommunications projects include, but not limited to, the construction of telecommunications networks, ducts, base stations, expansion of network capacity and renovation. The services include, but not limited to, construction and preliminary stage testing of telecommunications projects, and equipment installation, repairs, decoration and other relevant services.

**2.3 Maintenance of telecommunications facilities and equipment**

Telecommunications facilities and equipment include, but not limited to, fiber cables, towers, base stations, attached buildings, watching towers, mark stones, ducts, signs, etc. Maintenance services include regular inspection, testing, routine maintenance and repairs, breakdown clearance, watching and emergent repairs and restoration to ensure the normal and smooth operation of the Receivers' facilities and equipment.

**3. The Basic Principles**

**3.1** The terms and standards on which the Providers render the Telecommunications Services to the Receivers shall not be inferior to those extended by the Providers to any third party for the same or similar services.

**3.2** Under the circumstances where, without the Providers' fault, the Providers are unable to provide or completely provide the Telecommunications Services, the Providers shall give a notice to the Receivers in a timely manner, and shall use their best efforts to assist the Receivers to obtain the same or similar services from other sources.

**3.3** The Telecommunications Services rendered under this Agreement shall be in conformity with relevant state-mandated standards (if any).

**3.4** Provided that it is not prohibited by the laws and regulations, and with the prior consent of the Receivers, the Providers may delegate third parties (including the subsidiaries, affiliates and other related companies of the Providers) to provide certain Telecommunications services specified under this Agreement to the Receivers on behalf of the Providers. The Providers, however, shall ensure that any such third parties are qualified to provide such services mandated by the state and that the terms and standards on which the third parties render the Telecommunications Services shall not be inferior to those committed by the Providers. Each and all responsibilities and obligations for the services rendered by the third parties shall ultimately and fully be taken by the Providers. The Providers shall bear any and all extra expenses incurred by retaining any such third parties.

**3.5** Should a breach of this Agreement by any Party cause a loss to the other Party, the breaching party shall be responsible for the payment of damages to the other Party to compensate for the full amount of such loss. However, neither Party shall be liable for any loss caused by force majeure events.

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- 3.6 Each Party shall provide all reasonable and necessary assistance to the other Party during the course of the performance of this Agreement.
- 3.7 Additional agreements on the Telecommunications Services specified under this Agreement are contained in Appendices I, II and III attached to this Agreement.
- 3.8 Subject to this Agreement and its appendices, the relevant subsidiaries of the Parties may, pursuant to the practical situation, execute an implementation details specifying the content, standards, scope, means of the services or any other particular requirements in relation to the provision of a certain specific service, within the scope granted respectively by Party A and Party B. But, the content of the implementation details shall not exceed the scope of this Agreement and its appendices or have any conflict with this Agreement.

#### 4. Pricing Principles and Payment

##### 4.1 Pricing Principles

- 4.1.1 The Providers and the Receivers shall strictly abide the *Pricing Law, Provisions on The Explicit Price and Mark Of Goods And Services, Budgets for Integrated Wiring System for Buildings and Building Clusters and Budgets for Installation of Mobile Communication Equipment (Edited) (Xin Bu Gui [2000] No.904), Notice on Further Deregulation on Pricing of Professional Services for Construction Projects (Fa Gai Jia Ge [2015] No. 299), Notice on the Publishing of Budget Quota of Communication Construction Projects, Quota of Construction Fees and Construction Budgeting Rules (Gong Xin Bu Tong Xin [2016] No. 451)* and other laws and regulations, notify and enter into an agreement with the Providers about the project, contents, quality, pricing of the services. The services provided by the Providers shall conform the relevant national and industrial standards and specifications, and meet the service contents and quality requirements agreed in the contracts. If the above pricing documents are superseded by other government documents, prices shall be negotiated and agreed upon by both Parties and shall not be lower than the costs paid by the Providers or higher than the upper limits stipulated by the newly issued government documents.
- 4.1.2 As to the projects applicable to open tender, the Receivers shall procure the services hereunder by means of open tender. In the process of tender, the Receivers will assess the prices, technical skills, comprehensive abilities and others, and determine the winning bidder with the expert panel review. In case that the winner belongs to the Providers, the Receivers shall determine the service scope and pricing standards obtained by the Providers based on the assessment results. As to the projects inapplicable to open tender, the Receivers shall procure the services in reference with the tender procedures. No matter which means of procurement are adopted, the Providers and Receivers shall abide the provisions stated in the above Article 4.1.1.
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## 4.2 Payment

### 4.2.1 Design Fees and Consultation Fees

- (i) Design fees and Consultation fees can be paid by instalments pursuant to the deliveries of the design documents in the various stages or by one instalment upon the delivery of the final work.
- (ii) The actual design fees shall be initially ratified pursuant to the design budgetary estimate and ultimately determined pursuant to the final accounts, with a refund for any over-payment or an additional payment for any deficiency, as the case may be.

### 4.2.2 The Construction of Telecommunications Projects and Relevant Service Charges

- (i) The Receivers shall pay the Providers a sum equivalent to 10% of the total service charges within 7 working days after they both have agreed on each particular item of services and signed the implementation details.
- (ii) During the course of the construction, the Providers shall, in accordance with the implementation details, regularly provide the Receivers with a statement on the amount of work completed. The Receivers shall pay the Providers a sum equivalent to 70% of the total service charges within 10 working days upon the completion of all agreed works (except for the work of the warranty period) by the Providers, and upon the receipt and verification by the Receivers of the final statement provided by the Providers;
- (iii) After the project has been inspected and accepted, the Providers shall, based on the time period stipulated under the implementation details, provide the Receivers with the project account settlement documents. Within 20 working days upon receipt of the project account settlement documents and after the review by the Receivers, the Receivers shall pay the Providers the balance of the service charges in accordance with the review results.
- (iv) After the execution of the implementation details, if the amount of any work increases or decreases due to a change in the project design, then based on the actual amount of work actually provided by the Providers, the service charges shall be adjusted in accordance with the pricing principles and standards stipulated in this Agreement and the implementation details.

### 4.2.3 Maintenance fee of Telecommunications Facilities and Equipment

- (i) Maintenance fees shall be paid monthly. The amount of advance payment for maintenance fees shall be calculated based on the quantity of telecommunication facilities and equipment then actually maintained by the Providers.
  - (ii) The Providers shall bear the relevant expenses for low-value and easily-worn utensils, tools, vehicles, transportation and personnel incurred in providing maintenance services, while the Receivers shall bear the relevant expenses for back-up products, components, materials for emergent repairs and support fees charged by manufacturers as required by the Providers in providing maintenance services.
  - (iii) The Providers shall issue a valid receipt in a timely manner after having received any of the above payments from the Receivers.
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- (iv) If the Receivers fail to make any payment to the Providers within such period as has been agreed upon by both Parties, the Receivers shall pay the Providers a late payment penalty calculated at 0.03% of any due amount for each late payment day; if the late payment exceeds 60 days, the Providers may give the Receivers a written notice to terminate any further services. If after 30 days from the receipt of the written notice by the Providers, the Receivers still have not paid the said service charges, then the Providers may, without prejudice to any other rights and obligations already accrued or incurred to it under this Agreement, terminate the said services. Nonetheless, such termination of services shall not have any impact on the rights and obligations occurred hereunder between the Parties.

## **5. Representations, Warranties and Undertakings**

- 5.1** Each Party represents and warrants to the other Party that this Agreement is valid and equally binding on both Parties.
  - 5.2** Both Parties warrant that their relevant subsidiaries to provide services possess all the qualifications and licenses (including but not limited to the qualifications in relation to project construction, construction design) required by the relevant governmental regulatory authorities to provide the telecommunications services under this Agreement, and that the said qualifications and licenses are all valid during the term of this Agreement.
  - 5.3** Both Parties shall ensure the recruitment of sufficient qualified employees by their relevant subsidiaries to provide satisfactory telecommunications services stipulated under this Agreement.
  - 5.4** Both Parties shall ensure that the employees of their relevant subsidiaries are prepared to receive and provide sufficient instructions and explanations relating to the telecommunications services under this Agreement, and that the services are rendered with reasonable care and skill, such that the services can meet the standards required by the Receivers. Both Parties warrant that no harm will be caused to the Receivers by the acts or omissions of the Providers' employees responsible for rendering the services.
  - 5.5** Both Parties warrant that they have obtained all necessary approvals or other governmental permits (if there are any mandatory requirements for the telecommunications projects to be contracted to the other Party for design, consultation or building, and warrants to receive the construction licenses in a timely manner (as the case may be).
  - 5.6** Both Parties, as the Receivers, warrant that they will, in accordance with the provisions of this Agreement, accept the telecommunications services rendered by the Providers, provide all necessary assistance and pay various charges, and that no harm will be caused to the Providers by the acts or omissions of the Receivers.
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**6. Term of this Agreement**

**6.1** This Agreement shall be valid until 31 December 2020 unless it has been renewed in accordance with Article 6.2 hereunder.

**6.2** In compliance with or satisfies the relevant Listing Rules of the Stock Exchange of Hong Kong Limited, the relevant laws and regulations of China, this Agreement shall be renewed automatically for one year upon its expiration of term or renewal terms unless any Parties notify the other Party to terminate the Agreement by a written notice no less than 60 days prior to the end of term or renewal term.

**7. Force Majeure**

If, due to a force majeure event, the occurrence of which is unpredictable and the consequences of which are unavoidable and insurmountable, either Party or its subsidiaries is prevented from performing this Agreement in accordance with the agreed provisions, the affected Party shall immediately give notice to the other Party, and shall, within fifteen (15) days, provide the relevant detailed information and valid documents evidencing the grounds for non-performance, partial performance, or withheld performance of the relevant obligations under this Agreement. Depending upon the extent to which the performance may be affected by the force majeure event, both Parties shall discuss and agree whether or not to terminate, partially excuse, or delay the performance of the obligations concerned.

**8. Confidentiality**

Unless otherwise required by the relevant laws or supervisory and regulatory authorities, neither Party (including but not limited to its relevant subsidiaries) shall disclose to any other company, enterprise, organization or individual any information or data concerning the contents of this Agreement or relating to the business of the other Party, unless the prior written consent of the other Party has been obtained (and such consent shall not be unreasonably refused or withheld).

**9. Assignment**

Except for the cases stated in Article 3.4 hereof, without the prior written consent of the other Party, neither Party may assign or delegate to any third party any or all right(s) or obligation(s) accruing to it or the Providers or the Receivers under this Agreement.

**10. No Waiver**

Unless otherwise provided by law, any failure to exercise, or delay in exercising any right, power or privilege to which a Party is entitled under this Agreement shall not be construed as a waiver of such right, power, or privilege, and any partial exercise of such right, power, or privilege shall not prejudice the future exercise of such right, power, or privilege.

**11. Notice**

Any notice related to this Agreement shall be made in writing and delivered in person, or by facsimile, email or post. Any notice shall be deemed as delivered at the time of delivery, if delivered in person; or at the time when the facsimile machine or computer indicates successful submission, if delivered by facsimile or email; or on the fifth working day (not accounting statutory holidays) after it has been posted, if delivered by post. Any notice is effective upon delivery.

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## **12. Applicable Law and Dispute Settlement**

**12.1** This Agreement shall be governed by, and interpreted and enforced, in accordance with the PRC law.

**12.2** 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 China International Economy 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 during the arbitration.

## **13. Miscellaneous**

**13.1** The appendices constitute a part of this Agreement and have equal legal validity. Following discussion and agreement by both Parties, this Agreement and its appendices may be amended or supplemented by both Parties. Any amendment or supplement shall take effect after execution by the legal representatives or their authorized representatives of both Parties and after the affixation of the official seals 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.

**13.2** This Agreement is severable. If any provision of this Agreement is determined to be invalid, unlawful or unenforceable, the validity and enforcement of other provisions shall not be affected.

**13.3** This Agreement can be executed separately by counterparts. The duly executed counterparts constitute a valid agreement. If the Agreement is executed by counterparts, it shall be construed as duly executed after the both Parties have successfully transmitted their signed counterparts to each other by facsimile.

**13.4** This Agreement is written in Chinese and executed in four (4) original counterparts, two of which shall be retained by each Party. Each original counterpart has the equal legal validity.

Appendix 1: Planning, design and consultation of telecommunications projects

Appendix 2: Construction of telecommunications projects and related services

Appendix 3: Maintenance of telecommunications facilities and equipment

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CHINA MOBILE LIMITED

By: /s/ HUANG Jie  
Legal representative/authorized representative

CHINA MOBILE COMMUNICATIONS GROUP CO., LTD.

By: /s/ GAO Songge  
Legal representative/authorized representative

**LIST OF MAJOR SUBSIDIARIES**  
(as of December 31, 2019)

<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 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, YANG Jie, 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, 2020

/s/ YANG Jie

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Name: YANG Jie

Title: Executive Director and Chairman

## 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, 2020

/s/ DONG Xin

Name: DONG Xin

Title: Executive Director, Vice President and  
Chief Financial Officer

**CHINA MOBILE LIMITED**

**Certification**

Pursuant to 18 U.S.C. § 1350, the undersigned, YANG Jie, Executive Director and Chairman 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, 2019 (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, 2020

/s/ YANG Jie

Name: YANG Jie

Title: Executive Director and Chairman

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, DONG Xin, Executive Director, Vice President 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, 2019 (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, 2020

/s/ DONG Xin

Name: DONG Xin

Title: Executive Director, Vice President 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.