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CHINA MOBILE LIMITED

中國移動有限公司

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

(Stock Code: 941)

**DISCLOSEABLE TRANSACTION
LEASE OF TELECOMMUNICATIONS TOWERS FROM CHINA TOWER**

THE COMMERCIAL PRICING AGREEMENT AND THE SERVICE AGREEMENT

On 13 December 2022, the Board approved the entering into by CMC with China Tower of the Commercial Pricing Agreement and the Service Agreement, each for a term of five years from 1 January 2023 to 31 December 2027. Pursuant to the Commercial Pricing Agreement and the Service Agreement, China Tower will continue to provide leasing of telecommunications towers and other related services to CMC.

LISTING RULES IMPLICATIONS

In accordance with IFRS/HKFRS 16 “Leases”, the Group will recognize right-of-use assets in connection with the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement, and accordingly the Group will be regarded as acquiring right-of-use assets for the purposes of the Hong Kong Listing Rules. As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules in respect of the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement exceeds 5% but is below 25%, the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to notification and announcement requirements under the Hong Kong Listing Rules.

China Tower is not a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, transactions between the Group and China Tower do not constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Furthermore, as Mr. Gao Tongqing, Vice President of the Company, is a non-executive director of China Tower, China Tower is an affiliated corporation of the Company under the relevant provisions of the SSE Listing Rules. The expected 2023 annual cap in respect of routine affiliated transactions between the Company and China Tower is RMB100,000 million, which represents more than 5% of the absolute value of the Group's latest audited net assets and exceeds RMB30 million, and is subject to approval of the shareholders of the Company in general meeting under the SSE Listing Rules.

In accordance with the SSE Listing Rules, the Company will convene an extraordinary general meeting for the purpose of considering and, if thought fit, approving the entering into of affiliated transaction agreements with China Tower and the expected 2023 annual caps in respect of such affiliated transactions. A circular containing the relevant details, together with the notice of the extraordinary general meeting, will be despatched to holders of Hong Kong Shares in accordance with the Hong Kong Listing Rules in due course.

1. INTRODUCTION

Reference is made to the Company's announcements dated 8 July 2016 and 1 February 2018 in relation to the finalization of the leasing and pricing arrangement regarding the lease of telecommunications towers and related assets and the entering into of the Existing Commercial Pricing Agreement between CMC and China Tower. The Existing Commercial Pricing Agreement will expire on 31 December 2022.

On 13 December 2022, the Board approved the entering into by CMC with China Tower of the Commercial Pricing Agreement and the Service Agreement, each for a term of five years from 1 January 2023 to 31 December 2027. Pursuant to the Commercial Pricing Agreement and the Service Agreement, China Tower will continue to provide leasing of telecommunications towers and other related services to CMC.

2. THE COMMERCIAL PRICING AGREEMENT AND THE SERVICE AGREEMENT

CMC and China Tower have agreed on the terms of the Commercial Pricing Agreement and the Service Agreement, the principal terms of which are set out as follows:

(a) Parties

CMC, as lessee

China Tower, as lessor

(b) Term of Agreements

Five years, from 1 January 2023 to 31 December 2027

(c) Tower Products

Under the Commercial Pricing Agreement and the Service Agreement, China Tower will mainly provide leasing of telecommunications towers (including Newly-added Telecommunications Towers and Acquired Telecommunications Towers) to CMC.

The pricing basis and formulae for tower products are set out as follows:

(i) Pricing Basis

The pricing for leasing of telecommunications towers and services provided by China Tower shall be on an arm's length basis and be primarily based on the relevant asset's construction cost, useful lives of depreciation, site cost, maintenance expense and other costs, among other factors, and determined with reference to certain cost markup rate and co-sharing discount rates.

(ii) Pricing Formula for Newly-added Telecommunications Towers

The pricing of Newly-added Telecommunications Towers shall be determined in accordance with the following formula:

$$\text{Base price} = \left(\sum \frac{\text{standardized construction cost}}{\text{useful lives of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance expense} \right) \times (1 + \text{cost markup rate})$$

$$\text{Product price} = \text{base price} \times (1 - \text{co-sharing discount rate 1}) + (\text{site cost} + \text{electricity input cost}) \times (1 - \text{co-sharing discount rate 2})$$

In order to reflect the differences in standardized construction costs of Newly-added Telecommunications Towers in different geographical areas, 31 provinces have been divided into four categories with a different coefficient for each category. The maintenance expense may be determined by public tender or on a lump sum basis to be negotiated. The values for the impairment rate and the cost markup rate are fixed at 2% and 10%, respectively. The site cost and the electricity input cost are either priced on a lump sum or itemized basis. In order to maximize the benefit of tower sharing, China Tower will offer the following co-sharing discounts:

Co-sharing discount rate 1 In respect of the base price, China Tower shall provide a 32.4% discount for towers shared by two lessees and a 42.4% discount for towers shared among three lessees, and the original owner of Acquired resources and the first sole occupier of these towers will benefit from a first occupier discount policy (i.e. an extra 5% discount on top of the original discount)

Co-sharing discount rate 2 In respect of the site cost and the electricity input cost, China Tower shall provide a 40% discount for towers shared by two lessees and a 50% discount for towers shared among three lessees, and the original owner of Acquired resources and the first sole occupier of these towers will benefit from a first occupier discount policy (i.e. an extra 5% discount on top of the original discount)

(iii) Pricing Formula for Acquired Telecommunications Towers

The pricing of Acquired Telecommunications Towers shall be determined in accordance with the following formula:

$$\text{Base price} = \left(\sum \frac{\text{standardized construction cost for Newly-added}}{\text{useful lives of depreciation for Newly-added}} \times \text{discount rate} \times (1 + \text{impairment rate}) + \text{maintenance expense} \right) \times (1 + \text{cost markup rate})$$

$$\text{Product price} = \text{base price} \times (1 - \text{co-sharing discount rate 1}) + \text{site cost} \times (1 - \text{co-sharing discount rate 2})$$

$$\text{Discount rate} = \frac{\sum \text{appraised value} \div \text{useful lives of depreciation for Acquired}}{\sum (\sum \text{standardized construction cost for Newly-added of the category} \div \text{useful lives of depreciation for Newly-added} \times \text{percentage of Acquired Telecommunications Towers of the same category}) \times \text{number of Acquired Telecommunications Towers}}$$

The product catalogue and pricing formula for Acquired Telecommunications Towers are basically consistent with those for Newly-added Telecommunications Towers, save that no separate electricity input cost will be charged. In respect of Acquired Telecommunications Towers, the geographical coefficient for Newly-added and the wind pressure adjustment coefficient will not be taken into account, and a discount rate by province will be determined based on the proportion of the adjusted depreciation expense of Acquired Telecommunications Towers to the depreciation expense of Newly-added Telecommunications Towers.

The co-sharing discount rates and discount rules are consistent with those for Newly-added Telecommunications Towers. Existing co-sharing parties who shared Acquired Telecommunications Towers with the original property owner before 31 October 2015 will be charged 27.6% of the base price and 30% of the site cost; the original property owner will be charged 67.6% (if there are two lessees) or 57.6% (if there are three lessees) of the base price and 70% (if there are two lessees) or 40% (if there are three lessees) of the site cost; when an additional third lessee is introduced, the product price for the existing co-sharing parties will remain unchanged, while the original property owner will be charged 57.6% of the base price and 45% of the site cost.

(iv) Pricing Adjustment Mechanism

Parties may, taking into account factors such as inflation, adjust the maintenance expense and the site cost in the next year with reference to the consumer price index in the preceding year. In the event of significant fluctuations in the real estate market or the steel price etc., parties shall also negotiate on adjustments to the site cost and the product price etc. having regard to such fluctuations.

(d) Other Products

Apart from tower products, China Tower will also provide indoor distribution system products, transmission products and service products to CMC under the Commercial Pricing Agreement and the Service Agreement:

Indoor distribution system products	Indoor distribution systems for commercial buildings and tunnels
Transmission products	Pipelines, pole lines, optical fiber, public manholes and routes to sites etc.
Service products	Power service, gasoline or diesel power generation service and extra battery assurance service

(e) Payment Term

Service fees are payable in arrears on a monthly basis, by the 25th day of each month

(f) Total Value of Right-of-Use Assets

In accordance with IFRS/HKFRS 16 “Leases”, the Group expects that the total value of right-of-use assets to be recognized in connection with the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement will be approximately between RMB60,000 million (approximately HK\$66,879 million) and RMB70,000 million (approximately HK\$78,026 million) (unaudited), which includes telecommunications tower assets that are currently leased and expected to continue to be leased under the Commercial Pricing Agreement and the Service Agreement (from 1 January 2023 to 31 December 2027), as well as telecommunications tower assets that are expected to be additionally leased in 2023. The final amount of right-of-use assets to be recorded by the Group will be subject to audit.

(g) Historical Transaction Amounts

For the purposes of the SSE Listing Rules, the expected caps for the year ending 31 December 2022 and the transaction amounts for the 11 months ended 30 November 2022 in respect of the affiliated transactions under the Existing Commercial Pricing Agreement are set out as follows:

	Expected caps for the year ending 31 December 2022	Transaction amounts for the 11 months ended 30 November 2022
Expensed costs (including towers and related assets rental and maintenance expenses, lump sum electricity costs, interest expenses on lease liabilities etc.)	RMB30,500 million (approximately HK\$33,997 million)	RMB23,644 million (approximately HK\$26,355 million)
Addition of right-of-use assets	RMB9,500 million (approximately HK\$10,589 million)	RMB3,633 million (approximately HK\$4,050 million)

(h) Annual Caps

For the purposes of the SSE Listing Rules, the expected caps in respect of the affiliated transactions under the Commercial Pricing Agreement and the Service Agreement for the year ending 31 December 2023 are set out as follows:

	For the year ending 31 December 2023
Expensed costs (including towers and related assets rental and maintenance expenses, lump sum electricity costs, interest expenses on lease liabilities etc.)	RMB30,000 million (approximately HK\$33,440 million)
Addition of right-of-use assets	RMB70,000 million (approximately HK\$78,026 million)

3. REASONS AND BENEFITS FOR ENTERING INTO THE COMMERCIAL PRICING AGREEMENT AND THE SERVICE AGREEMENT

The Company is of the view that the entering into of the Commercial Pricing Agreement and the Service Agreement with China Tower will enable the Company to rapidly and effectively construct wireless networks, thereby supporting the high-quality development of the Company's business. Through the sharing of telecommunications towers and related assets, the Company will benefit from advantages brought by common resources, and at the same time this will also enable the Company to save on capital expenditure.

The pricing basis and fee standard under the Commercial Pricing Agreement and the Service Agreement have been determined upon arm's length negotiations between CMC and China Tower. The Board is of the view that the terms of the transactions under the Commercial Pricing Agreement and the Service Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

4. LISTING RULES IMPLICATIONS

In accordance with IFRS/HKFRS 16 "Leases", the Group will recognize right-of-use assets in connection with the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement, and accordingly the Group will be regarded as acquiring right-of-use assets for the purposes of the Hong Kong Listing Rules. As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules in respect of the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement exceeds 5% but is below 25%, the lease of telecommunications tower assets under the Commercial Pricing Agreement and the Service Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to notification and announcement requirements under the Hong Kong Listing Rules.

China Tower is not a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, transactions between the Group and China Tower do not constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Furthermore, as Mr. Gao Tongqing, Vice President of the Company, is a non-executive director of China Tower, China Tower is an affiliated corporation of the Company under the relevant provisions of the SSE Listing Rules. The expected 2023 annual cap in respect of routine affiliated transactions between the Company and China Tower is RMB100,000 million, which represents more than 5% of the absolute value of the Group's latest audited net assets and exceeds RMB30 million, and is subject to approval of the shareholders of the Company in general meeting under the SSE Listing Rules.

In accordance with the SSE Listing Rules, the Company will convene an extraordinary general meeting for the purpose of considering and, if thought fit, approving the entering into of affiliated transaction agreements with China Tower and the expected 2023 annual caps in respect of such affiliated transactions. A circular containing the relevant details, together with the notice of the extraordinary general meeting, will be despatched to holders of Hong Kong Shares in accordance with the Hong Kong Listing Rules in due course.

5. GENERAL INFORMATION

CMC is a wholly-owned subsidiary of the Company which provides network and business coordination center services in China. The Group is the leading information and communications technology services provider in the mainland of China, and provides communications and information services in all 31 provinces, autonomous regions and directly-administered municipalities throughout the mainland of China and in Hong Kong. The Company is an investment holding company.

China Tower is a joint stock limited company incorporated under the laws of the PRC, whose shares are listed on the Hong Kong Stock Exchange (stock code: 788). China Tower is principally engaged in the construction, maintenance and operation of telecommunications towers. As at the date of this announcement, to the Company's knowledge, China Tower is owned as to 27.93%, 20.65%, 20.50% and 4.41% by CMC, China Unicom, China Telecom and China Reform Corporation, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as disclosed above, China Tower and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

This announcement contains translations between Renminbi and Hong Kong dollars at RMB0.89714 = HK\$1.00. The translations are not representations that Renminbi and Hong Kong dollar could actually be converted at such rate, if at all.

6. DEFINITIONS

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

“Acquired Telecommunications Towers” or “Acquired”	tower products acquired by China Tower pursuant to the Previous Transaction Agreement
“Board”	the board of Directors of the Company
“China Reform Corporation”	China Reform Holdings Corporation Ltd., a joint stock limited company incorporated under the laws of the PRC wholly-owned by SASAC

“China Telecom”	China Telecom Corporation Limited, a joint stock limited company incorporated under the laws of the PRC with limited liability, whose shares are listed on the Hong Kong Stock Exchange (stock code: 728) and the Shanghai Stock Exchange (stock code: 601728)
“China Tower”	China Tower Corporation Limited, a joint stock limited company incorporated under the laws of the PRC, whose shares are listed on the Hong Kong Stock Exchange (stock code: 788)
“China Unicom”	China United Network Communications Corporation Limited, a wholly-owned subsidiary of China Unicom (Hong Kong) Limited (stock code: 762)
“CMC”	China Mobile Communication Company Limited, a wholly-owned subsidiary of the Company
“Commercial Pricing Agreement”	the commercial pricing agreement to be entered into between CMC and China Tower
“Company”	China Mobile Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange
“Directors”	the directors of the Company
“Existing Commercial Pricing Agreement”	the commercial pricing agreement dated 8 July 2016 and entered into between CMC and China Tower (as supplemented by relevant supplementary agreement(s))
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Hong Kong Shares”	shares in the Company listed on the Main Board of the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Listing Rules”	the Hong Kong Listing Rules and the SSE Listing Rules
“Newly-added Telecommunications Towers” or “Newly-added”	tower products other than Acquired Telecommunications Towers
“PRC” or “China”	the People’s Republic of China
“Previous Transaction Agreement”	the transaction agreement dated 14 October 2015 entered into among CMC, China Unicom, China Telecom, China Reform Corporation and China Tower in relation to the transfer of Acquired Telecommunications Towers and related assets to China Tower
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Service Agreement”	the service agreement to be entered into between CMC and China Tower
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“%”	per cent.

By Order of the Board
China Mobile Limited
Yang Jie
Chairman

Hong Kong, 13 December 2022

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from those implied by such forward-looking statements. In addition, the Company does not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F and other filings with the U.S. Securities and Exchange Commission.

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yang Jie, Mr. Dong Xin, Mr. Li Pizheng and Mr. Li Ronghua as executive directors; and Mr. Stephen Yiu Kin Wah, Dr. Yang Qiang, Mr. Carmelo Lee Ka Sze and Mrs. Margaret Leung Ko May Yee as independent non-executive directors.