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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from _____ to _____

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 _____

Commission file number: 1-14696

China Mobile Limited

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

Hong Kong, China

(Jurisdiction of Incorporation or Organization)

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

(Address of Principal Executive Offices)

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Company Secretary
China Mobile Limited
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Telephone: (852) 3121-8888

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

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Ordinary shares	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.

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

None
(Title of Class)

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

None
(Title of Class)

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

As of December 31, 2014, 20,438,426,514 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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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;
- 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 fourth generation, or 4G, services and services based on technological evolution, and our ability to attract customers to these services;
- our objectives and strategies for the development of our terminal procurement and distribution business;
- the planned development of future generations of mobile technologies and other technologies and related applications;
- the anticipated evolution of the industry chain of 4G and future generations of mobile technologies, including future development in, and availability of, terminals that support our provision of services based on 4G and future generations of mobile technologies;
- the expected impact of the implementation in China of value-added tax 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 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”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “should”, “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, 2014. 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, 2012, 2013 and 2014 and the selected historical consolidated balance sheet data as of December 31, 2013 and 2014 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 for the years ended December 31, 2010 and 2011 and the selected historical consolidated balance sheet data as of December 31, 2010, 2011 and 2012 set forth below are derived from our audited consolidated financial statements that are not included in this annual report on Form 20-F. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

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,						
2010	2011	2012	2013	2014	2014	
RMB	RMB	RMB	RMB	RMB	RMB	US\$
(in millions, except share, per share and per ADS information)						

Consolidated Statement of Comprehensive Income Data:						
Operating revenue ⁽¹⁾	492,743	537,806	581,835	630,177	641,448	103,383
Operating expenses ⁽¹⁾	339,653	383,948	429,105	494,528	524,114	84,472
Profit from operations	153,090	153,858	152,730	135,649	117,334	18,911
Profit before taxation	159,071	166,582	171,300	158,579	142,592	22,982
Taxation	(39,047)	(40,603)	(41,919)	(36,776)	(33,187)	(5,349)
Profit for the year attributable to equity shareholders	119,640	125,870	129,274	121,692	109,279	17,613
Basic earnings per share ⁽²⁾	5.96	6.27	6.43	6.05	5.38	0.87
Diluted earnings per share ⁽²⁾	5.89	6.20	6.36	5.98	5.35	0.86
Basic earnings per ADS ⁽²⁾	29.82	31.36	32.17	30.27	26.92	4.34
Diluted earnings per ADS ⁽²⁾	29.44	30.98	31.78	29.91	26.77	4.32
Number of shares utilized in basic earnings per share calculation (in thousands)	20,062,910	20,068,194	20,090,824	20,101,232	20,293,254	20,293,254
Number of shares utilized in diluted earnings per share calculation (in thousands)	20,321,332	20,315,252	20,341,516	20,343,120	20,408,441	20,408,441

	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US\$
(in millions, except share, per share and per ADS information)						
Consolidated Balance Sheet Data:						
Working capital ⁽³⁾	66,202	109,441	148,797	96,276	45,707	7,367
Cash and cash equivalents	87,543	86,259	70,906	44,931	66,744	10,757
Bank deposits	204,803	246,687	331,997	374,977	352,118	56,751
Accounts receivable	7,632	9,165	11,722	13,907	16,340	2,634
Property, plant and equipment	385,296	408,165	430,509	479,227	564,795	91,028
Total assets	861,935	952,558	1,052,109	1,167,392	1,296,449	208,950
Bonds—current portion ⁽⁴⁾	4,981	—	—	—	—	—
—non-current portion	4,982	4,984	4,986	4,989	4,992	805
Deferred consideration payable ⁽⁵⁾	23,633	23,633	23,633	—	—	—
Total liabilities	284,532	302,139	326,800	376,668	437,806	70,562
Share capital ⁽⁶⁾	2,139	2,140	2,142	2,142	400,737	64,587
Shareholders' equity	576,157	649,064	723,447	788,773	856,576	138,055
Other Financial Data:						
Capital expenditures and land lease prepayments ⁽⁷⁾	114,338	124,414	125,024	140,041	171,806	27,690
Net cash generated from operating activities	231,379	226,756	230,709	224,985	211,022	34,011
Net cash used in investing activities	(171,572)	(169,356)	(191,176)	(171,475)	(146,219)	(23,566)
Net cash used in financing activities	(51,051)	(58,420)	(54,897)	(79,431)	(42,944)	(6,921)
Dividend declared	51,818	54,298	55,821	52,675	47,170	7,602
Dividend declared per share (RMB)	2.595	2.730	2.773	2.621	2.311	0.37
Dividend declared per share (HK\$)	3.014	3.327	3.411	3.311	2.920	0.37

- (1) Prior to 2013, the sales of products were incidental to our telecommunications services. In 2013 and 2014, our sales of products have become more than incidental as a result of our business development, and accordingly we present the revenue from sales of products and related cost of products sold separately with the comparative figures also being presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the years presented.
- (2) 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 2010, 2011, 2012, 2013 and 2014. The diluted earnings per share have been computed after adjusting for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares resulting from the share options granted to our directors and employees under the share option scheme would decrease profit attributable to equity shareholders per share. The basic and diluted earnings per ADS amounts have been computed based on one ADS representing five ordinary shares.
- (3) Represents current assets minus current liabilities.
- (4) The guaranteed bonds due in 2011 with an aggregate principal amount of RMB5,000 million were fully redeemed upon maturity in June 2011.
- (5) Represents the respective balance of the purchase consideration payable to our immediate holding company for our acquisition of the eight regional mobile telecommunications companies in 2002 and for our acquisition of the ten regional mobile telecommunications companies and other telecommunications assets in 2004. The deferred consideration was fully repaid by December 31, 2013. See “Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources — Contractual Obligations and Commitments.”
- (6) Under the new 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.
- (7) Represents payments made for capital expenditures and land lease prepayments during the year and included in net cash used in investing activities.

Exchange Rate Information

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 RMB6.2046 = US\$1.00 and HK\$7.7531 = US\$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2014. The noon buying rates in New York City 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 noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York were RMB6.1976 = US\$1.00 and HK\$7.7510 = US\$1.00, respectively, on April 17, 2015. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each month during the previous six months:

Noon Buying Rate

	RMB per US\$1.00			HK\$ per US\$1.00	
	High	Low		High	Low
October 2014	6.1385	6.1107	October 2014	7.7645	7.7541
November 2014	6.1429	6.1117	November 2014	7.7572	7.7519
December 2014	6.2256	6.1490	December 2014	7.7616	7.7509
January 2015	6.2535	6.1870	January 2015	7.7563	7.7508
February 2015	6.2695	6.2399	February 2015	7.7584	7.7517
March 2015	6.2741	6.1955	March 2015	7.7686	7.7534
April 2015 (up to April 17, 2015)	6.2152	6.1930	April 2015 (up to April 17, 2015)	7.7525	7.7499

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars in 2010, 2011, 2012, 2013 and 2014 calculated by averaging the noon buying rates on the last day of each month during the relevant year.

Average Noon Buying Rate

	RMB per US\$1.00	HK\$ per US\$1.00
2010	6.7603	7.7692
2011	6.4475	7.7793
2012	6.2990	7.7556
2013	6.1412	7.7565
2014	6.1704	7.7554

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 that 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

We may not be able to maintain the same level of growth as we have experienced over the past decade, which could have a material adverse effect on our financial condition and results of operations as well as our profitability.

We have experienced significant growth over the past decade, measured by the increase in both our customer base and our revenue. However, in recent years, we have experienced a lower rate of growth as measured by our revenue, and in 2014, we experienced a decrease in profit from operations, profit before taxation and net profit compared to 2013. We cannot assure you that we will be able to achieve a high level of growth in the future due in part to the increased market saturation and competition among mobile operators and from other related industries in Mainland China. In particular, according to data published by the Ministry of Industry and Information Technology, or the MIIT, mobile penetration rate in Mainland China reached 94.5% as of December 31, 2014. Moreover, measures adopted by the PRC government in 2013 that permit certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers have changed the competitive landscape in the telecommunications industry in Mainland China and have resulted and will result in further intensified competition among existing industry participants as well as increasing competition from providers offering telecommunications services using alternative technologies, in particular Internet service providers. See “— Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change 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.” In addition, the implementation of value-added tax in Mainland China has had, and is expected to continue to have, a negative impact on our operating revenue and profit compared to previous years. See “— Implementation of value-added tax in Mainland China has had, and is expected to continue to have, a negative impact on our operating revenue and profit.” Furthermore, the adjustment of interconnection settlement standards has had, and is expected to continue to have, a negative impact on our revenue and profitability. See “— Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.”

All of these factors, among others, have contributed to a slowdown in the growth of our telecommunications services in Mainland China. Our costs for the provision of telecommunications services may also increase in order for us to maintain our growth. Our efforts to achieve growth could be hampered and our profitability may decrease if we are unable to compete effectively with other telecommunications services providers and Internet service providers in Mainland China. We cannot assure you that we will be successful in our efforts to achieve a high level of customer growth or to increase the utilization of our telecommunications services. If we are unable to sustain our growth, our financial condition and results of operations as well as our profitability may be materially and adversely affected.

Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change 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.

We continue to face increasing competition from other telecommunications services providers in Mainland China. Principal participants in the telecommunications industry in Mainland China include China United Network Communications Group Co., Ltd., or China Unicom, China Telecommunications Corporation, or China Telecom, and us. The PRC government has extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors. See “— Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.” Further increased competition could reduce the rate at which we add new customers to our network and decrease our market share as customers choose to receive mobile services from other providers. Furthermore, we expect that we will face intense competition in the delivery of 4G services from China Telecom and China Unicom, which have received permits to operate their 4G services based mainly on FDD mode long-term evolution, or FDD-LTE, technology. See “— We may encounter difficulties and challenges in developing and implementing TD-LTE technologies and developing our 4G services.” As part of changes in our marketing model, we may, depending on the competitive environment, offer more tariff promotions to our customers, which may negatively impact our revenues. As a result of the above, we cannot assure you that we will not experience increases in churn rates as competition intensifies, which may materially reduce our profitability. 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.

Moreover, the PRC government has implemented a number of measures that permit certain operators approved by the MIIT to lease 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 Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. The trial period will end on December 31, 2015, subject to further adjustment by MIIT. From December 2013 through December 2014, the applications of 42 applicants to lease and repackage mobile services and provide mobile services to end customers were approved. We may 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 decline significantly, which may materially and adversely affect our business, financial condition and results of operations.

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

Implementation of value-added tax in Mainland China has had, and is expected to continue to have, a negative impact on our operating revenue and profit.

Our business operations in China are currently subject to PRC value-added tax. On November 16, 2011, the Ministry of Finance and the State Administration of Taxation issued a pilot tax program under which value-added tax instead of business tax will be levied on the provision of certain services that were previously subject to business tax in China. The telecommunications industry became subject to the pilot tax program effective from June 1, 2014. For telecommunications enterprises, the value-added tax rate for the provision of basic telecommunications services is 11%, while the value-added tax rate for the provision of value-added telecommunications services is 6%. The value-added tax levied in relation to our operating revenue is not included within our operating revenue. Furthermore, the amount of input tax deductions from value-added tax that we may currently claim on our costs and capital expenditure are relatively low, as the implementation of value-added tax has not yet been extended to many industries. Our net profit in 2014 decreased as compared to 2013 partly due to the impact of the implementation of value-added tax. We expect that the implementation of value-added tax will continue to have a negative impact on our operating revenue and profit.

Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.

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 will 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 — Regulation — Interconnection Charges.” In addition, the MIIT has expanded the mobile number portability policy that has been implemented in Tianjin Municipality and Hainan Province to Jiangxi Province, Hubei Province and Yunnan Province. The PRC government may continue to expand the implementation of the mobile number portability policy to other areas of Mainland China. The implementation and expansion of the mobile number portability policy may have a greater impact on us, as a leading operator, than on our competitors.

The PRC government has adopted other regulatory measures that may encourage competition in the telecommunications industry. For example, the PRC government recently implemented a number of measures that permit certain operators approved by the MIIT to lease 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 Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. From December 2013 through December 2014, the applications of 42 applicants to lease and repackage mobile services and provide mobile services to end customers were approved. As a result of the regulatory measures, the competitive landscape in the PRC telecommunications industry may further diversify, causing more intensified competition. The implementation of asymmetrical and other regulatory measures could materially harm our competitive position, 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.

We may encounter difficulties and challenges in developing and implementing TD-LTE technologies and developing our 4G services.

We are developing and conducting our 4G business based on the TDD mode long-term evolution, or TD-LTE, technology. On December 4, 2013, the MIIT granted to CMCC, China Telecom and China Unicom permissions to operate TD-LTE businesses, and CMCC received permission to operate a TD-LTE business through us. We have subsequently launched our 4G services and rapidly expanded our 4G network. As of March 31, 2015, the number of 4G customers reached approximately 143.1 million. However, we expect that we will face intense competition in the delivery of 4G services from China Telecom and China Unicom, which have received permits to operate their 4G services based mainly on FDD-LTE technology. Since FDD-LTE technology is more widely used globally than TD-LTE technology and enjoys more mature value chains in terms of both chips and terminals, we expect that our competitors' use of FDD-LTE technology will pose competitive challenges to our 4G business. As a result, we cannot assure you that our implementation of TD-LTE technology and provision of telecommunications services based on TD-LTE technology will achieve the expected results.

In addition, we expect to make substantial investments in the development of our 4G services, including construction of infrastructure networks and base stations. Accordingly, the amount of our capital expenditures in future years could remain high. See "Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources — Capital Expenditures" for more information on our expected capital expenditures. If we are unable to provide 4G services in a commercially viable manner, our ability to realize benefits from our significant capital investment and expenses in our networks and 4G services will be limited, and our operating revenue and profit from operations could decrease materially.

There remain uncertainties in connection with the future operation of the China Tower Corporation Limited (or China Tower, formerly known as China Communications Facilities Services Corporation Limited).

In July 2014, China Mobile Communication Co., Ltd. or CMC, our wholly-owned subsidiary, entered into a promoters' agreement with China United Network Communications Corporation Limited, a wholly-owned subsidiary of China Unicom (Hong Kong) Limited, and China Telecom Corporation Limited to establish China Tower. Pursuant to the promoters' agreement, we made an investment of RMB4,000 million and indirectly own a 40% equity interest in China Tower.

The business scope of China Tower consists primarily of the construction, maintenance and operation of telecommunications towers, the construction, maintenance and operation of ancillary facilities, including base station control rooms, power supplies and air conditioning as well as interior distribution systems, and the maintenance of base station equipment. The purpose of establishing China Tower is to streamline the capital expenditure of the three major telecommunications operators, to improve network coverage and to reduce competition among the three major telecommunications operators in relation to the sites of telecommunications towers. However, because the operations of China Tower are still at a preliminary stage and the three promoters are still in the process of formulating plans and strategies with respect to the contribution of assets into China Tower and the development and operations of China Tower, there remain uncertainties regarding the future business scope and operations of China Tower, as well as future arrangements such as the type and amount of assets to be injected into China Tower. We cannot assure you that our investment in and the operation of China Tower will not materially and adversely affect our business or competitiveness, as well as our financial condition and results of operations, or that it will produce the expected benefits.

Rapid development of new technologies, new services and products, and new business models, including Over The Top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.

The rapid development of new technologies, new services and products, and new business models has resulted in distinctions between local, long distance, wireless, cable and Internet communication services being lessened and has brought new competitors into the telecommunications market. As a result, we are subject to increasing competition from non-traditional telecommunications services providers, such as Internet service providers and mobile software and applications developers, as they gain an increasing share of the telecommunications industry value chain. These new competitors compete against us in both voice and data businesses by offering mobile Internet access, Over The Top products such as instant voice and messaging services, and other mobile services. See "— Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from telecommunications services providers that use alternative technologies, which could materially and adversely affect our business and market position."

Revenue generated from wireless data traffic grew substantially in 2014, partly due to continued increased penetration of smartphones and improvements in our services provided on our upgraded networks with the development of our 4G technology and services. However, there is no guarantee that our wireless data traffic business will continue to grow rapidly or that any increase in revenue generated from wireless data traffic will offset any decrease in our voice services revenue and revenue generated from SMS and MMS. We cannot assure you that the measures we are taking in response to these challenges will achieve the results we expect.

We have encountered and may continue to encounter challenges in the operation of our 3G services.

We conduct our 3G business based on the Time Division Synchronous Code Division Multiple Access, or TD-SCDMA, technology. As a result, our ability to deliver our 3G services depends, to a large extent, on the TD-SCDMA technology. However, we face intense competition in the delivery of 3G services from our competitors, which are delivering 3G services using Wideband Code Division Multiple Access, or WCDMA, and Code Division Multiple Access 2000, or CDMA 2000, technologies, both of which are widely used in western Europe and the United States and may offer more effective global roaming or other services to customers. If the TD-SCDMA technology proves not to be as competitive as the WCDMA or CDMA 2000 technology, or otherwise ends up not being widely adopted, our ability to attract and retain customers or offer services to our customers may be limited, our business and prospects may suffer and our revenues and profitability could decrease materially.

While we have made breakthroughs in 3G services, due to the ongoing development of 4G technology, the previous pace of development of 3G services may not be sustainable. If we encounter challenges in the provision of our 3G services, our ability to realize benefits from our significant capital investment in our networks and 3G services will be limited, which could have a material adverse effect on our financial condition and results of operations.

Failure to capitalize on new business opportunities may substantially reduce our growth potential.

We may pursue acquisitions or otherwise make investments in other business opportunities as such opportunities arise. We cannot assure you that we will be successful in pursuing such acquisitions or investments or will otherwise be able to successfully integrate any acquired business into our existing operations. Our ability to capture new business opportunities may also depend on the availability of sufficient financing from internal as well as external sources. Any failure to capitalize on new business opportunities may materially harm our competitive position, as well as materially reduce our future profitability and growth.

We, through our wholly-owned subsidiary China Mobile Group Guangdong Co., Ltd., or Guangdong Mobile, hold a 20% of equity interest in Shanghai Pudong Development Bank, or SPD Bank. We also have a strategic cooperation agreement with SPD Bank, pursuant to which we cooperate with SPD Bank in the areas of mobile finance and mobile e-Commerce businesses, such as mobile payment which includes on-site payment and remote payment as well as in the sharing of customers services and channels resources. See “Item 4. Information on the Company — Business Overview — Investment in, and strategic cooperation with, SPD Bank.” SPD Bank’s profitability is impacted to some extent by macroeconomic conditions and changes in monetary and fiscal policies in Mainland China, and we cannot assure you that our investment in SPD Bank will achieve the desired level of return. If we encounter difficulties in carrying out our cooperation with SPD Bank, the prospects of the mobile finance and mobile e-Commerce businesses contemplated to be jointly developed by us and SPD Bank may be materially and adversely affected. Furthermore, expected benefits from our investment in networks, licenses and new technologies may not be realized.

In August 2012, CMC entered into a share subscription agreement with IFLYTEK CO., LTD., or IFLYTEK, a company listed on the Shenzhen Stock Exchange. The share subscription was completed on April 24, 2013. Concurrent with the share subscription, we and IFLYTEK also entered into a strategic cooperation agreement to cooperate in various areas, including smart voice portals, smart voice cloud services, smart voice technologies and product innovations, applications in relation to customer services and basic telecommunications businesses and informatization of the telecommunications industry. In collaboration with IFLYTEK, we launched “Lingxi”, a smart voice assistant application. We cannot assure you that our investment in IFLYTEK will achieve the desired level of return or the strategic cooperation will produce the expected benefits, if at all.

In June 2014, China Mobile International Holdings Limited, or CMI Holdings, our wholly-owned subsidiary, entered into a share subscription agreement with True Corporation Public Company Limited, or True Corporation, the principal company of True Group, a major national telecommunications provider in Thailand, pursuant to which CMI 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 with True Corporation to record our intention to explore business cooperation opportunities in various areas, including technology and network development, procurement sharing, mobile banking and mobile commerce, convergence strategies and market development. We cannot assure you that our investment in True Corporation will achieve the desired level of return or the intended cooperation will produce the expected benefits, if at all.

We have established certain subsidiaries to operate certain aspects of our businesses, such as China Mobile Group Device Company Limited, or China Mobile Device, China Mobile International Limited, or China Mobile International, China Mobile M2M Company Limited, China Mobile (Shenzhen) Limited, China Mobile Online Services Company Limited, China Mobile (Suzhou) Software Technology Company Limited, China Mobile (Hangzhou) Information Technology Company Limited and MIGU Company Limited, and we expect to further enhance our operational efficiency by establishing other subsidiaries that operate certain other aspects of our businesses. We cannot assure you, however, that this business model would be sustainable or that we will achieve the expected benefits.

Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from providers offering telecommunications services using alternative technologies, which could materially and adversely affect our business and market position.

In recent years, the telecommunications industry in Mainland China 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. In addition, the development and application of new technologies involve time, substantial costs and risks. We may 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.

Moreover, the rapid development of new technologies, new services and products and new business models has also accelerated the convergence of local, long distance, wireless, cable and Internet communication services and resulted in new competitors entering the telecommunications market. See “— Rapid development of new technologies, new services and products, and new business models, including Over The Top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.”

The intensified competitive landscape requires us to implement new technologies and develop new businesses in order to adapt to and maintain our share of the evolving value chain of the telecommunications industry in Mainland China. In order to meet the challenges posed by changes in technology and business models, we have striven to promote the development and transition from voice to data traffic operations, from mobile communication services to innovative full services, and from communication services to digital services. However, as the implementation of the components of our strategy, as well as the development of new businesses, such as mobile Internet, “Internet of Things” and cloud computing, require significant time, financial and other resources and involve substantial risks, we may not be able to successfully implement the components of our strategy, launch or develop such new businesses within a short time period, or otherwise achieve the expected benefits.

Substantial increase in data traffic significantly strains the existing capacity of our telecommunications network infrastructures.

Our wireless data traffic business has experienced significant growth in recent years, which contributed to the growth of our operating revenue and provides our business with further opportunities for development. In addition, we have launched our TD-LTE services, which are expected to drive further growth in data traffic. The continued substantial increase in data traffic resulting from the growth of our wireless data traffic business, our TD-LTE business and the proliferation of smartphones significantly strains the existing capacity of our telecommunications network infrastructure. As a result, we have made and will continue to make substantial investments in the construction of our infrastructure network, including our TD-LTE infrastructure, to carry the increasing data traffic. 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 economic returns.

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 of the management personnel of our company and our subsidiaries 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 misdeeds or allegations of misconduct by our management and staff will 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.

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

As of March 31, 2015, 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 business pursuant to arrangements with CMCC, which was granted licenses by the PRC government to operate a 3G business based on TD-SCDMA technology. 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.

We may conduct a public offering and listing of our shares in Mainland China, which may result in increased regulatory scrutiny and compliance costs as well as increased fluctuations in the prices of our ordinary shares and ADSs listed in overseas markets.

We may conduct a public offering and listing of our shares on a stock exchange in Mainland China. We have not set a specific timetable or decided on any specific form for an offering in the PRC. The precise timing of the offering and listing of our shares in Mainland China would depend on a number of factors, including relevant regulatory developments and market conditions. If we complete a public offering in Mainland China, we would become subject to the applicable laws, rules and regulations governing public companies listed in Mainland China, in addition to the various laws, rules and regulations that we are currently subject to in Hong Kong and the United States. The listing and trading of our securities in multiple jurisdictions and multiple markets may lead to increased compliance costs for us, and we may face the risk of significant intervention by regulatory authorities in these jurisdictions and markets.

In addition, under current PRC laws, rules and regulations, our ordinary shares listed on The Stock Exchange of Hong Kong Limited, or the Hong Kong Stock Exchange, will not be interchangeable or fungible with any shares we may decide to list on a Mainland China stock exchange, and there is no trading or settlement between these two markets. As a result, the trading prices of our ordinary shares listed on the Hong Kong Stock Exchange may not be the same as the trading prices of any shares we may decide to list on a Mainland China stock exchange. The issuance of a separate class of shares and fluctuations in its trading price may also lead to increased volatility in, and may otherwise materially and adversely affect, the prices of our ordinary shares and ADSs listed in overseas markets.

On November 17, 2014, the China Securities Regulatory Commission, or the CSRC, and the Hong Kong Securities and Futures Commission, or the SFC, launched a pilot scheme to allow investors in Mainland China to trade shares in designated companies listed on the Hong Kong Stock Exchange, including constituent stocks of the Hang Seng Composite LargeCap Indexes such as our ordinary shares, subject to certain quota limitations. We cannot predict the impact that this initiative will have on cross-border investment by investors in Mainland China or on the trading prices of our ordinary shares and ADSs.

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 GSM network, the MIIT has allocated a total of 45x2 MHz of spectrum in the 900 MHz and 1800 MHz frequency bands to be used nationwide for transmission and reception to our parent company, CMCC. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 35 MHz of spectrum to be used for nationwide coverage and an additional 50 MHz of spectrum to be used for indoor coverage. In connection with our 4G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 130 MHz of spectrum to be used for nationwide coverage, including 20 MHz of spectrum previously allocated for use by our 3G business for outdoor coverage and 50 MHz of spectrum previously allocated for use by our 3G business for indoor coverage. Under the existing agreement between CMCC and us, we have the right to use the allocated frequency spectrum in Mainland China.

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 services. 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 materially and adversely affect our business and prospects as well as our financial condition and results of operations.

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 mobile 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 on 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 new 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 new 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 new 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 year ended December 31, 2013 with the SEC on May 30, 2014, and our conflict minerals report for the year ended December 31, 2014 is due June 1, 2015. We will incur additional costs to comply with the new 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. For example, in recent years, PRC government authorities have required the implementation of real name registration for mobile users. The regulatory framework within which we operate may limit our flexibility to respond to changes in market conditions or competition, including changes in our cost structure. We cannot predict when or if changes in tariff policies may occur. For example, the replacement of the regional long-distance and roaming tariff with a unified tariff within certain regions is currently being considered by certain governmental authorities in the PRC. Future changes in tariff policies could significantly decrease our revenues and materially reduce our profitability. 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 a 3G telecommunications business based on the 3G license granted to CMCC by the MIIT. Furthermore, CMCC has received permission to operate a 4G business through us. 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.

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. We believe that the universal service obligations may include mandatory provision of basic mobile services in less economically developed areas and to support broadband development in Mainland China and mandatory contribution to a universal service fund. 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. See “Item 9. The Offer and Listing” for information regarding the trading price history of our ordinary shares and ADSs.

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 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. In recent years, Mainland China has been one of the world's fastest growing economies in terms of gross domestic product, or GDP, growth. If China's economic growth slows down, there will be reduced business activities and reduced demand for our services, which could materially and adversely affect our business, 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. We are currently being inspected with respect to, among other things, our accounting and financial reporting practices. We cannot predict the impact of any findings of these reviews and inspections, and we cannot assure you that the outcome of any such reviews and inspections would not have a material adverse effect on our business, financial condition, results of operations and prospects.

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 involves 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, particularly those relating to telecommunications and taxation, may also materially and adversely affect our financial condition, result of operations and prospects.

Natural disasters and health hazards in China may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.

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 and health hazards may have on our business. Any future natural disasters and health hazards may, among other things, significantly disrupt our ability to adequately staff our business, and may generally disrupt our operations. Furthermore, such natural disasters and health hazards 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 health hazards in China may have a material adverse effect on our financial condition and results of operations.

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. However, the PCAOB is currently unable to inspect a registered public accounting firm's audit work relating to a company's operations in China where the documentation of such audit work is located in China, such as our registered public accounting firm's audit work relating to our operations in China. 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.

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 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 workpapers 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. If future document productions fail to meet specified criteria or there is a problem with the process between the SEC and CSRC, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. If the accounting firms are subject to additional remedial measures imposed by the SEC or other regulatory authorities, 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 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 a full range of mobile services in all 31 provinces, autonomous regions and directly-administered municipalities in Mainland China as well as in Hong Kong. As of December 31, 2014, the total population residing in Mainland China exceeded 1.3 billion. Based on publicly available information, we are the leading provider of mobile services in Mainland China and the largest provider of mobile services in the world as measured by total number of customers as of December 31, 2014. As of the same date, our total number of customers reached approximately 806.6 million. As of March 31, 2015, our total number of customers reached approximately 815.4 million.

The History and Development of the Company

We were incorporated under the laws of Hong Kong on September 3, 1997 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 to "China Mobile Limited" on May 29, 2006 after obtaining the approval of our shareholders.

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 Communication Company Limited (currently known as China Mobile Group Guangdong Co., Ltd.), or Guangdong Mobile, and Zhejiang Mobile Communication Company Limited (currently known as China Mobile Group Zhejiang Co., Ltd.), 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.

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 for additional share capital of Topssion. Topssion thereafter changed its name to China Mobile Device. As of March 31, 2015, we held a 99.97% equity interest in China Mobile Device.

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.

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 telecommunication industry of Mainland China underwent significant reforms and restructuring that resulted in 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 National Development and Reform Commission, or the NDRC, and the Ministry of Finance, or 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 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, currently also include China Telecom and China Unicom. China Telecom and China Unicom currently operate both mobile and fixed-line services. On December 4, 2013, the MIIT granted CMCC permission to authorize us to operate a fixed-line telecommunications business.

On July 11, 2014, CMC entered into a promoters' agreement with China United Network Communications Corporation Limited, a wholly-owned subsidiary of China Unicom (Hong Kong) Limited, and China Telecom Corporation Limited to establish China Tower. Pursuant to the promoters' agreement, we have made an investment of RMB4,000 million and indirectly own a 40% equity interest in China Tower. The business scope of China Tower will consist primarily of the construction, maintenance and operation of telecommunications towers, the construction, maintenance and operation of ancillary facilities, including base station control rooms, power supplies and air conditioning as well as interior distribution systems, and the maintenance of base station equipment. The shareholders of China Tower are considering the impact of the injection of telecommunications assets into China Tower.

Organizational Structure

As of March 31, 2015, 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, 2015, we owned, directly or through intermediate holding companies, 100% equity interests in the following companies:

- China Mobile Communication Co., Ltd.
- China Mobile Group Guangdong Co., Ltd.
- China Mobile Group Zhejiang Co., Ltd.
- China Mobile Group Jiangsu Co., Ltd.
- China Mobile Group Fujian Co., Ltd.
- China Mobile Group Henan Co., Ltd.
- China Mobile Group Hainan Co., Ltd.
- China Mobile Group Beijing Co., Ltd.
- China Mobile Group Shanghai Co., Ltd.
- China Mobile Group Tianjin Co., Ltd.
- China Mobile Group Hebei Co., Ltd.
- China Mobile Group Liaoning Co., Ltd.
- China Mobile Group Shandong Co., Ltd.
- China Mobile Group Guangxi Co., Ltd.
- China Mobile Group Anhui Co., Ltd.
- China Mobile Group Jiangxi Co., Ltd.
- China Mobile Group Chongqing Co., Ltd.
- China Mobile Group Sichuan Co., Ltd.
- China Mobile (Shenzhen) Limited
- China Mobile (Suzhou) Software Technology Co., Ltd.
- MIGU Company Limited
- China Mobile Group Hubei Co., Ltd.
- China Mobile Group Hunan Co., Ltd.
- China Mobile Group Shaanxi Co., Ltd.
- China Mobile Group Shanxi Co., Ltd.
- China Mobile Group Neimenggu Co., Ltd.
- China Mobile Group Jilin Co., Ltd.
- China Mobile Group Heilongjiang Co., Ltd.
- China Mobile Group Guizhou Co., Ltd.
- China Mobile Group Yunnan Co., Ltd.
- China Mobile Group Xizang Co., Ltd.
- China Mobile Group Gansu Co., Ltd.
- China Mobile Group Qinghai Co., Ltd.
- China Mobile Group Ningxia Co., Ltd.
- China Mobile Group Xinjiang Co., Ltd.
- China Mobile Group Design Institute Co., Ltd.
- China Mobile Hong Kong Company Limited
- China Mobile International Limited
- China Mobile M2M Company Limited
- China Mobile Online Services Co., Ltd.
- China Mobile (Hangzhou) Information Technology Co., Ltd.

In addition, we indirectly own a 99.97% equity interest in China Mobile Device through CMC and a 92% equity interest in China Mobile Finance through China Mobile Group Beijing Co., Ltd., or Beijing Mobile, and directly own a 66.41% equity interest in Aspire Holdings Limited, or Aspire, a company incorporated in the Cayman Islands.

General Information

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

Business Overview

We offer mobile services using the Global System for Mobile Communications, or GSM, standard. 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 also offer mobile services using the TD-SCDMA standard. We operate our 3G business based on an Internet Protocol based core network that is shared by our 2G, 3G and 4G services as well as the TD-SCDMA network capacity leased from CMCC. See “— Mobile Networks” below. We intend to use the TD-SCDMA network to primarily carry data traffic from mobile phones. CMCC’s TD-SCDMA wireless network covered all county-level or above cities and some towns and villages in Mainland China as of December 31, 2014.

In addition, we provide our customers with high-speed Internet access through our WLAN access points located throughout Mainland China. We intend to use our WLAN network to primarily carry Internet data from computers, mobile phones and other terminals.

On December 4, 2013, the MIIT granted to CMCC, China Telecom and China Unicom permission to operate TD-LTE businesses, and CMCC received permission to operate a TD-LTE business through us. Subsequently, we launched our TD-LTE business. We intend to use the TD-LTE network to primarily carry high bandwidth and high quality wireless broadband businesses. As of December 31, 2014, we cumulatively put in use more than 720,000 4G base stations which cover a population of more than one billion persons, realizing nationwide continuous coverage in almost all cities and counties, as well as data hotspot coverage in developed rural towns and villages, in the PRC. We will also carry out Voice-Over-LTE, or VoLTE, live network testing and we aim to achieve the commercialization of VoLTE and establish our first mover advantage in this field. In addition, we have been providing commercial 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.

Furthermore, we cooperate with China Tietong in strengthening our capabilities to provide full telecommunications services. On December 4, 2013, the MIIT granted to CMCC permission to authorize us to operate fixed-line telecommunications business in Mainland China. We continue to increase our reserves of basic resources, such as metropolitan area transmission networks, public Internet and broadband access networks in Mainland China, accelerate Internet Data Center, or IDC, development and focus on the development of services such as dedicated lines for corporate customers.

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 have embraced the migration of the core telecommunications revenue driver from voice to data traffic and then to digital services, and accelerated capabilities distribution and strategic transformation. We have striven to promote the development and transition from voice to data traffic operations, from mobile communication services to innovative full services and from communication services to digital services.

Coordinated and Synergistic Development of Businesses Carried by the Four Networks. We have continued to carry out the coordinated and synergistic development of our GSM, TD-SCDMA, WLAN and TD-LTE businesses in order to facilitate the transition from voice-centric to data-centric operations. We have striven to implement the construction of our 4G (TD-LTE) network to achieve a leading position in terms of wide, continuous and deep coverage. The focus of our 3G and 2G networks is to realize the potential and achieve good utilization of our current network resources, and the focus of the development of WLAN is to better allocate data traffic. We further optimized our network architecture in order to achieve significant data traffic migration from our 2G and 3G networks to our 4G network.

Supporting the Transition from Mobile Communications Operations to Innovative Full Service Operations. We have continued to build up infrastructure and improve fundamental network abilities to support our transition from mobile communications operations to innovative full service operations. We further improved the transmission capacity of our fiber optic cable and the accessibility of our corporate customer dedicated lines and strengthened our capabilities in introducing and allocating Internet traffic. In December 2013, the MIIT granted CMCC permission to authorize us to operate a fixed-line telecommunications business, and we became a full-service operator. We are focused on developing our transmission network, public Internet and broadband network, and we will leverage our 4G network to promote wireless broadband access and realize our second-mover advantage in the development of our full service operations.

Developing Our Digital Services Business. We are shifting the focus of our business development from communications services to digital services. We accelerated the development of specialized services for corporate customers, further expanded Internet television services and home network gateways for family customers and improved high-quality cloud services for individual customers. We further promoted and consolidated our product series, and we have introduced the concept of unified communication, consisting of “New Communications, New Message, and New Contact”, which seeks to integrate the functionalities of voice calls, messaging and contacts and improve user experience in the 4G era. Upon building up our “smart pipes”, we will continue to create open platforms, specialty services and user-friendly interfaces, and enter into arrangements with our partners to achieve greater value.

In order to achieve the foregoing goals, we will focus on improving the quality of our networks, the quality of our services and our business support capabilities. See “— Service Quality.” Moreover, we will continue to improve our customer services to achieve broader customer satisfaction. See “— Customer Services.” In addition, we will make efforts to enhance our operational efficiency by establishing a number of subsidiaries, such as China Mobile International and China Mobile Device, that operate certain aspects of our businesses. In addition, we will continue to focus on retaining existing customers, expanding corporate customer base, achieving growth in our wireless data business, developing new businesses and increasing sales of terminals.

Customers and Usage

Our customer base has grown substantially from approximately 767.2 million at the end of 2013 to approximately 806.6 million at the end of 2014. As of March 31, 2015, our total number of customers reached approximately 815.4 million, and our total number of 3G and 4G customers were approximately 234.8 million and 143.1 million, respectively. 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” 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;
- our competitive advantages in terms of scale of operations, networks, support systems, brands, marketing and sales channels, and services;
- the further development of TD-LTE industry chain, in particular the increasing availability of TD-LTE handsets, especially smartphones, in the market which contributes to the increase in our 4G customer base; and
- the increasing prevalence of customers using multiple SIM cards.

However, due to the increasing mobile penetration rate and intensified competition among mobile operators and from competitors in other related industries, our customer base may not continue to grow as fast as it has been over the past few years, if at all.

Our total voice usage was 4.29 trillion minutes in 2014, representing a decrease of 0.5% from 2013. Our short message services, or SMS, usage totaled 611.4 billion messages in 2014, representing a decrease of approximately 16.7% from 2013. The decrease in our voice usage and the decrease in SMS usage are partly due to the increasing competition from providers offering Over The Top products such as instant voice and messaging services.

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,		
	2012	2013	2014
Customer Base (in millions)	710.3	767.2	806.6
4G Customer Base (in millions)	—	—	90.1
Total Voice Usage (in billions of minutes)	4,192.3	4,316.0	4,293.9
Mobile Data Traffic (in billions of megabytes)	289.8	526.8	1,132.9
Average Minutes of Usage Per User Per Month (minutes) ⁽¹⁾	512	486	453
Average Handset Data Traffic Per User Per Month (MB) ⁽²⁾	36	72	155
Average Revenue Per User Per Month (RMB) ⁽³⁾	68	67	61
Average Monthly Churn Rate (%) ⁽⁴⁾	3.25	3.15	3.13

- (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 thirteen 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 telecommunications services during the relevant year by the average number of customers during the year (calculated in the same manner as in note (1) above) and (B) dividing the result by 12. The revenue from telecommunications services in 2012, 2013 and 2014 is derived from our consolidated statements of comprehensive income for the years ended December 31, 2012, 2013 and 2014, 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.

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 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 decline due to the substitution effect of Over The Top products and a decline in tariffs, and total voice usage decreased by 0.5% in 2014 compared to 2013.

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 business includes short message and multimedia message services, or SMS and MMS, wireless data traffic business and applications and information services.

SMS refers to services that employ the existing network resources and the corresponding functions of mobile terminals to deliver and receive text messages, mainly including customer-to-customer messages, corporate SMS, “Monternet”-based short 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. SMS usage decreased from 734.1 billion messages in 2013 to 611.4 billion messages in 2014, and revenue generated from SMS and MMS decreased from RMB41,320 million in 2013 to RMB34,780 million in 2014 due to the increasing competition from and substitution effect of providers offering Over The Top products such as instant voice and messaging services.

Our wireless data traffic business includes mobile data traffic service and WLAN service. Revenue generated from wireless data traffic business reached RMB153,926 million in 2014, compared to RMB108,239 million in 2013.

Mobile Data Traffic. Our mobile data traffic service is a service that we provide to our customers that enables mobile access to the Internet through 2G, 3G or 4G networks. We experienced significant growth in the provision of mobile data traffic services in 2014, with mobile data traffic reaching 1,132.9 billion megabytes in 2014, representing a 115.1% increase compared to 2013. Revenue generated from mobile data traffic service reached RMB150,571 million in 2014, compared to RMB105,373 million in 2013.

WLAN. WLAN service refers to a service that provides high-speed Internet access through WLAN. We further streamlined the verification process for our customers to access our WLAN, improved the effectiveness of the use of WLAN, and will continue to use our WLAN services as an effective complement to our 4G services.

Our applications and information services include various mobile application products such as “Migu Music”, “and-Reading”, “and-Video”, “and-Game”, “and-Animation”, “and-Wallet”, “and-Map”, “Lingxi”, “Mobile Market” and “Internet of Things”, as well as specialized services for corporate customers, such as dedicated lines and IDC. Revenue generated from applications and information services reached RMB64,382 million in 2014, compared to RMB57,327 million in 2013.

“*Migu Music*”. “Migu Music” is a mobile phone- and personal computer-based platform for licensed music. “Migu Music” provides our customers with a one-stop shop for services such as digital music streaming, downloads and interactive features.

“*and-Reading*”. “and-Reading” provides our customers with content services, including books, magazines and audio books, through mobile phones and other terminals.

“*and-Video*”. “and-Video” provides our customers with mobile network-based video services, which enable our customers to download or stream various types of videos, such as news, movies, entertainment and sports programs on their mobile phones and other terminals.

“*and-Game*”. “and-Game” provides mobile game downloads and online game services to our customers.

“*and-Animation*”. “and-Animation” enables our customers to stream and download animation and comics, as well as related digital services such as icons, emoticons, virtual personas and images, through mobile phones and other terminals.

Some of our other applications and information services, including “and-Wallet” mobile payment services, and location based services, also experienced further development in 2014, and we have strengthened our efforts in developing other new products and applications in our data business, such as cloud services, “Lingxi”, which is a smart voice assistant application.

We have been making efforts to build up open platforms through our “Mobile Market” in the past few years. “Mobile Market” serves as a platform for software developers and their applications as well as our own businesses so that our customers may use their terminals to download applications and subscribe for our businesses.

Moreover, we are continuing to develop the “Smart Family” concept, using “Mobaihe” as the core equipment that, coupled with the development of broadband for home use, provides users at home with a large variety of applications, including video and audio entertainment, health care and home automation, which effectively increased the value and user stickiness of broadband services and advanced the development of the market.

In 2014, we expanded the application of “Internet of Things” to various areas such as urban management, smart transportation and industrial control, and have developed standardized “Internet of Things” products including home security service, automobile fleet management service and remote surveillance. We are also in the process of building high quality and centralized “Internet of Things” networks. The number of “Internet of Things” users increased from 32.00 million in 2013 to 43.38 million in 2014.

We believe that data business will continue to be one of the fastest growing segments of the telecommunications market in Mainland China in the coming years. In 2014, we increased the promotion of our data business by launching new products and increasing marketing efforts. Our data services revenue increased to RMB253,088 million in 2014, representing an increase of 22.3% from 2013. As a percentage of revenue from telecommunications services, data services revenue increased to 43.5% in 2014 from 35.0% in 2013.

We also plan to continue promoting industry-specific applications of data business to corporate customers to further enhance the penetration and utilization of our data business. During 2014, we further strengthened and broadened the scope of key industry-specific application solutions to cover major sectors of the society and the economy. These efforts, coupled with our efforts to enhance service quality and improve customer relationship, led to an expansion of our customer base among multi-provincial and multi-national corporations. In addition, we expanded our “Internet of Things” applications and Mobile e-Commerce businesses in different areas involving our corporate customers.

Strategies Relating to 3G Services

We have been operating our 3G business by leasing wireless network capacity from CMCC since 2009. We have enhanced our efforts to market new 3G services, products and applications, including through our voice and data businesses, to individuals, families, corporations and those in need of industry information products. In 2014, the network utilization of the TD-SCDMA network increased. We expect the TD-SCDMA network to continue to play an important role in carrying voice and data traffic.

Development of 4G Services

On December 4, 2013, the MIIT granted permission to CMCC, China Telecom and China Unicom to operate TD-LTE businesses, and CMCC received permission to operate a TD-LTE business through us. As of December 31, 2014, we cumulatively put in use more than 720,000 4G base stations which cover a population of more than one billion persons, realizing nationwide continuous coverage in almost all cities and counties, as well as data hotspot coverage in developed rural towns and villages, in the PRC. We plan to expand our cooperation with international telecommunications operators to provide 4G roaming services. Furthermore, we plan to focus on the development of multi-mode, multi-band terminals, low cost TD-LTE terminals, and self-branded terminals. We also plan to leverage the strengths of our 4G services to promote higher-quality voice services, the integration of multiple types of messaging and the integration of social networks and other personalized services. In addition, we have been providing commercial 4G services in Hong Kong since 2012 with the LTE FDD and TD-LTE bandwidths we previously obtained from the Office of the Communications Authority of Hong Kong.

As of March 31, 2015, the number of 4G customers reached approximately 143.1 million.

Tariffs

The tariffs payable by our customers include primarily usage charges, monthly fees (if applicable) and service fees for voice value-added services and data services. Effective on January 1, 2010, when not using roaming services, our customers incur usage charges in the form of either local usage charges or, for outgoing domestic and international long distance calls, domestic and international long distance charges. When using domestic roaming services, our customers incur either domestic roaming usage charges or, for outgoing international long distance calls, international long distance charges. When using international roaming services, our customers incur 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.

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 rates 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 in and during certain service areas and call periods targeting various customers. These discounts and promotional offers mainly include rewards for the pre-payment of fees, free trials of voice value-added services or data services, tariff discounts for voice usage during off-peak hours and in low-traffic areas, tariff discounts for wireless data traffic during off-peak hours and tariff discounts for specified recipients.

In 2013, we introduced mix-and-match plans, which allow our customers greater flexibility in customizing the voice, data traffic and applications components of their plans. For middle-to-high-end customers, we created a “single price” plan for local, long distance and roaming calls. In 2014, we introduced new 4G mix-and-match plans and actively sought to reduce the unit price for international roaming. We introduced RMB3/6/9 per day international roaming plans and RMB30/60/90 per day unlimited international usage plans and also expanded our 4G international roaming services.

Interconnection

Interconnection refers to various arrangements that permit the connection of our networks to other mobile or fixed-line networks or the Internet. These agreements provide for arrangements relating to interconnection settlement.

Our networks interconnect with the networks of other operators, which enables our customers to communicate with the customers of those operators. 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 decided to adjust, effective January 1, 2014, the public telecommunications network interconnection settlement standards of basic telecommunications operators in Mainland China. See “— Regulation — Interconnection Charges.”

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. We believe that the decrease in roaming usage charges helped drive growth in voice volume usage and that growth in voice volume usage helped partially offset the negative impact of the decline in roaming usage charges.

Research and Development

Our research and development, or R&D, functions are undertaken jointly by our research institute, other relevant departments and 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, cooperating with industry partners, procurement testing and certification of network devices, mobile terminals and information technology systems. Moreover, in 2014, we established research centers in Suzhou and Hangzhou to develop new technologies and services. In 2014, our main R&D efforts were focused on a number of aspects:

Improving Networks and Services. In 2014, we strengthened the development and optimization of our 4G network. In particular, we improved our network performance by enhancing indoor coverage and carrier aggregation, and solved certain technical issues in relation to the deployment of Voice over LTE, or VoLTE, technology. We also reduced the connection time for corporate customers by 70% by introducing software defined network concept, or SDN concept, into the relevant network.

Setting Technical Standards and Promoting Industry Development. We led the IMT-2020 (5G) Promotion Group in the drafting and publication of a white paper on the vision and requirement of Mainland China’s fifth generation, or 5G, technology. We published the 5G technology white paper on behalf of the Future Forum and also actively promoted 5G related work in international organizations, such as the Next Generation Mobile Networks, or NGMN. We organized the first large-scale SDN testing events in Mainland China and started a SDN trial program in five provinces. We presented Network Function Visualization, or NFV, at international conferences and technology forums on multiple occasions and demonstrated VoLTE high definition audio and video based on NFV. We also won a Gold Award of Chinese Patents for our LTE related patents, which demonstrated our technological influence and innovation capability.

Developing New Products. We developed “SigWell”, a device that improves indoor network coverage with only half of the cost required by existing technology. We developed the open testing system, or OTS, which has been applied in more than 100 testing tasks. We also developed mobile applications for motion sensors and heart health monitoring devices.

Sales and Customer Services

Sales Channels. We offer our services through an extensive network of proprietary sales outlets, retail outlets and electronic sales and marketing channels. In addition to providing retail sales and network connection services, our proprietary sales outlets also offer differentiated services to customers under different service brands, including billing information and payment collection, services consultation, sale of terminals and other customer services. Furthermore, most of our proprietary sales outlets provide training and service demonstrations to retail outlets. The retail outlets offer our services according to agency agreements with us. In connection with these sales, all applicable fees payable after initial connection are paid to us. Moreover, we offer certain services to our customers through electronic channels, 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. Sales effected through our electronic channels have increased consistently in recent years and the percentage of our business transactions that were processed through our electronic channels further increased in 2014. In addition, we have enhanced our service capabilities through the expansion and optimization of our proprietary sales channels, the expansion of electronic channels and the integration of resources relating to sales and marketing channels. 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.

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 aim to retain individual customers and corporate customers, as well as family customers. Each of our customer groups, including our middle-to-high-end customer group, as well as our low-end customer group, is supported by a series of tailored service packages.

Moreover, our applications and services to our corporate customers under customized service contracts maintained steady development while recording an increase in revenue in 2014. With the expansion of our corporate customer base, we also seek to provide customized total solutions to these corporate customers in response to their particular requirements.

Furthermore, we have developed customized products and service packages in response to the unique consumption characteristics of rural areas, and have developed advertising and distribution channels unique to the rural markets to promote and expand our business in the rural areas. We have also encouraged handset producers to introduce inexpensive handsets with moderate functions to lower the barrier of using mobile phones in the rural areas.

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 order to retain high-value and corporate customers and enhance customer satisfaction, we offer a series of personalized and differentiated services targeted at high-value and corporate customers, including dedicated account executives, on-site visits and systems for collecting comments and handling complaints.

In 2014, we continued to optimize our customer service processes through efforts such as improving service quality at our sales outlets, 10086 hotline and online portal. Our customers may also purchase SIM cards and handsets through our electronic channels. We have also actively promoted electronic channels, including expanding scope of services provided through our electronic channels and shortening the processing time at the electronic channels, and the percentage of our business transactions that were processed through the electronic channels further increased in 2014. In addition, we implemented service measures such as increasing transparency in the billing process, inquiry and data services unsubscription function through SMS and refunding before investigation in case of a billing dispute for Monternet services to ensure our customers would be fully informed of the payments they would make. We continued to filter spam SMS and software that were sent to our customers. Our continued improvement in customer services resulted in broader customer satisfaction in 2014.

Service Quality. We strive to improve the quality of our services through improvements in the quality of our infrastructure network. In particular, we continued to lead the industry in 2014 in terms of low voice call drop rate of our 2G, 3G and 4G networks and highly successful connection rate, which significantly improved customer perception and laid a solid foundation for developing the 4G market. In addition, the network speed of our Internet business has been further enhanced. We have also improved our business support capabilities, especially in the areas of billing and data business subscription support.

Customer Retention. Due to increasing competition, we place great emphasis on customer retention. Our strategy is to attract and retain core customers by providing high quality services. We classify our customers according to their level of value contribution and match them with differentiated service resources according to level, with higher-level customers enjoying premium services. The “Customer Point Reward Program” is an important measure to this end, under which customers receive bonus points based on their service consumption and loyalty. Higher-level customers are able to accumulate bonus points at faster rates. Customers may exchange their accrued bonus points for tariffs, data and other benefits.

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 registration procedures, such as identity checks for individual customers and information checks for corporate customers, to assist in credit control. In certain situations, we require our customers to pay an advance deposit representing a pre-determined amount of usage charges before certain telecommunications services are activated. The actual usage charges incurred are verified against the balance of the amount deposited and, if there are unusual circumstances, additional measures will be implemented. 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 late payment fee is imposed on each customer whose account balance is not settled by the monthly due date. If the customer’s account remains overdue, the customer’s services will be deactivated and such customer must pay all overdue amounts, including applicable late payment fees, to reactivate services. As a majority of our existing customers pre-pay for our services, we have limited credit risk exposure to our customers. We make an allowance for doubtful accounts based on our assessment of the recoverability of accounts receivable.

Corporate Social Responsibility and Sustainable Development.

We are committed to fulfilling our responsibilities to stakeholders and proactively implementing a sustainable development strategy to meet the challenges brought about by climate change. 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 13.7% in 2014 compared with the previous year. Through our China Mobile Charity Foundation, we continued to carry out philanthropic activities such as poverty alleviation and education support. We have cumulatively sponsored surgeries for 2,260 children in poverty with congenital heart disease, and training for 70,539 secondary and elementary school principals in rural central and western China. In 2014, we were listed in the Dow Jones Sustainability Indices for the seventh consecutive year and were also included in the Hang Seng Corporate Sustainability Index Series for the fifth consecutive year.

Terminals

Our TD-LTE services 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 and low cost TD-LTE terminals, as well as self-brand terminals. We have also launched two self-branded handsets, two economical 4G MIFI terminals and one 4G tablet and we plan to launch more self-branded terminal models in the future. We have devoted ourselves to promoting the long-term development of the TD-LTE terminal supply chain and have focused on the sales of 4G terminals, which strongly drove growth in data traffic. We have also entered into a long-term cooperation agreement with Apple Inc. and successfully introduced iPhone models that support TD-LTE and TD-SCDMA.

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.

Trademark

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. On January 1, 2013, we entered into a trademark license agreement, or the 2013 Trademark License Agreement, to replace the trademark license agreement that we entered into in 2008, or the 2008 Trademark License Agreement. Under the 2013 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. No license fee is payable by us to CMCC during the term of the 2013 Trademark License Agreement.

In addition, the “CHINA MOBILE” name has been registered as a trademark by CMCC in Australia, Brunei, Cambodia, Canada, Hong Kong, India, Indonesia, Macau, New Zealand, Pakistan, South Africa, South Korea, Taiwan, Thailand, the United States, and Yemen. Furthermore, CMCC has filed applications to register the “CHINA MOBILE” name as a trademark in Malaysia, in connection with certain goods and services. CMCC has also registered the “CHINA MOBILE” name as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

In 2013, we unveiled our new corporate logo. An application for registration of the new logo has been filed in Mainland China and an application as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks has been filed in the United States and has been approved in the United Kingdom. In addition, individual applications have been filed in Hong Kong, Macau, Pakistan and Taiwan.

Mobile Networks

Over the past several years, we have performed a number of technological improvements and upgrading to our core mobile network, which has evolved into an integrated network that is capable of supporting transmissions using the 2G standard, 3G standard and 4G standard. We have built an Internet Protocol based core network that is capable of supporting the GSM, TD-SCDMA, WLAN and TD-LTE networks, which we believe could also evolve into a network that supports other future generations of mobile technologies.

Prior to January 7, 2009, we offered mobile services using the GSM standard, which 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.

Starting from January 7, 2009, in addition to offering mobile services using the GSM standard, or the 2G standard, we also offer mobile services using the TD-SCDMA standard, or the 3G standard. The key network components for our 3G business include Node Bs, which contain radio transmitters and receivers that communicate directly with mobile terminals, and radio network controllers, which carry out radio resources management and are responsible for controlling the Node Bs that are connected to them.

In addition, we provide our customers with access to broadband Internet connection through WLAN, which connects computers using wireless communication technology. Our customers may use mobile terminals such as handsets and notebooks to gain wireless access to the Internet or a corporate intranet.

We conduct our 4G business based on the TD-LTE technology. TD-LTE is one of two models of LTE, a mainstream standard for the evolution of 3G technology, and a standard for the evolution of TD-SCDMA technology. We have been providing commercial 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. The TD-LTE Advanced technology, as a successor technology to the TD-LTE technology, has been recognized as one of the international standards for future generations of technology by the International Telecommunication Union, and the MIIT has granted permission to CMCC, China Telecom and China Unicom to operate TD-LTE businesses. As of March 31, 2015, the number of 4G customers reached approximately 143.1 million.

Network Capacity Expansion and Optimization Plans. Our customers currently use our 2G services, our 3G services, our WLAN services, our 4G 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 and 4G services, and expanding the coverage and capacity of our integrated network. Our network expansion and optimization plans depend to a large extent upon the availability of sufficient spectrum.

Spectrum. A mobile network's capacity is to a certain extent limited by the amount of frequency spectrum available. For our GSM network, the MIIT has allocated a total of 45x2 MHz of spectrum in the 900 MHz and 1800 MHz frequency bands to be used nationwide for transmission and reception to our parent company, CMCC. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 35 MHz of spectrum to be used for nationwide coverage, and an additional 50 MHz of spectrum to be used for indoor coverage. In connection with our 4G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 130 MHz of spectrum to be used for nationwide coverage, including 20 MHz of spectrum previously allocated for use by our 3G business for outdoor coverage and 50 MHz of spectrum previously allocated for use by our 3G business for indoor coverage. 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.

Leased Lines. 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.

Network Operations and Maintenance. 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.

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 are often constructed for locating base stations. In 2014, we focused on constructing 4G base stations, and put in use more than 720,000 base stations, which cover a population of more than one billion persons, realizing nationwide continuous coverage in almost all cities and counties, as well as data hotspot coverage in developed rural towns and villages, in the PRC. Typically, base stations are of relatively small size, as base station equipment does not generally require significant space.

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 2014, we purchased our networks equipment primarily from Huawei Technologies, ZTE, Ericsson, Nokia and FiberHome Technologies.

Strategic Alliance Agreement with PhoenixTV and Memorandum of Understanding with News Corporation and STAR Group Limited

On June 8, 2006, we entered into a strategic alliance agreement with Phoenix Satellite Television Holdings Limited, or PhoenixTV, a leading satellite television operator broadcasting into Mainland China, pursuant to which we and PhoenixTV will cooperate in, among other areas, the joint development, marketing and delivery of innovative wireless content, products, services and applications. We currently have a number of cooperation initiatives underway with PhoenixTV.

In addition, we entered into a memorandum of understanding with News Corporation and STAR Group Limited on June 8, 2006 relating to a potential long-term wireless media strategic partnership as well as the exploring of various areas of cooperation, which may include the aggregation, development and marketing of multimedia content and other wireless data services.

Investment in, and Strategic Cooperation with, SPD Bank

As of March 31, 2015, Guangdong Mobile, our wholly-owned subsidiary, held a 20% 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 have entered into a strategic cooperation agreement in November 2010, pursuant to which we and SPD Bank cooperate in the areas of mobile finance and mobile e-Commerce businesses in Mainland China, as well as in the sharing of customer services and channels resources. The initial term of cooperation expires in November 2015, which will be automatically renewed for successive one-year terms unless terminated. The scope of cooperation will include, but will not be limited to, the joint development of mobile payments business, mobile bank cards business and other forms of mobile finance and mobile e-Commerce businesses, the joint research and development of mobile finance software and mobile security technologies. Through such strategic cooperation, we and SPD Bank have issued China Mobile – SPD co-branded bank cards in 29 provinces in Mainland China, which support near field communication services. We and SPD Bank are also exploring opportunities for cooperation in internet financing, including “and-Treasure” wealth management and other Internet financial products.

Investment in, and Strategic Cooperation with, IFLYTEK

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 to cooperate in various areas, including smart voice portals, smart voice cloud services, smart voice technologies and product innovations, applications in relation to customer services and basic telecommunications business and informatization of the telecommunications industry.

Investment in, and Strategic Cooperation with, True Corporation

In June 2014, CMI Holdings, our wholly-owned subsidiary, entered into a share subscription agreement with True Corporation, the principal company of True Group, a major national telecommunications provider in Thailand, pursuant to which CMI 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 with True Corporation to record our intention to explore business cooperation opportunities in various areas including technology and network development, procurement sharing, mobile banking and mobile commerce, convergence strategies and market development.

Competition

We compete with other telecommunications services providers. We are one of the three licensed mobile services providers in Mainland China. The PRC government encourages orderly and fair competition in the telecommunications industry in Mainland China. In particular, the PRC government has extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors to us. We may also face intense competition from existing operators from time to time. Our competitors launch, from time to time, promotional offers, such as handset subsidies and tariff packages, to attract customers.

In May 2008, the MIIT, the NDRC and the MOF jointly announced a policy initiative to further reform the PRC telecommunications industry by encouraging the formation of three telecommunications services providers of comparable scale and standing, each with nationwide network resources, full-service capabilities and competitive strength, by way of a series of restructuring transactions. See “Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure.”

After completion of the industry restructuring in January 2009, China Telecom and China Unicom, each of which is now operating a mobile network, have been benefiting from, among other things, broader customer bases, more extensive networks, greater financial and other resources and more comprehensive technological capabilities, as compared to their customer bases, networks, resources and technological capabilities prior to the industry restructuring. These factors have intensified, and could further intensify, competition. In addition, China Telecom and China Unicom have each become full-service telecommunications services providers that operate both fixed-line networks and mobile networks. On December 4, 2013, the MIIT granted CMCC permission to authorize us to operate a fixed-line telecommunications business in Mainland China. Our competitors may also benefit from any asymmetrical and other regulatory measures that may be adopted by the PRC government from time to time.

In addition, the PRC government has begun to allow certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers on a trial basis and we may face increasing competition from these new mobile network operators. We also face increasing competition from providers offering telecommunications services using alternative technologies. Furthermore, we expect that we will face intense competition in the delivery of 4G services from China Telecom and China Unicom, which have received permits to operate their 4G services based mainly on FDD-LTE technology. See “Risk Factors — Risks Relating to Our Business — Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change 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.” and “Risk Factors — Risks Relating to Our Business — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.”

Regulation

The mobile industry in Mainland China is highly regulated. Regulations issued or implemented by the State Council, the MIIT and other relevant government authorities, including the NDRC and the Ministry of Commerce, encompass all key aspects of mobile 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.

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 WTO 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 September 2008, 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 (including radio paging services).

The MIIT has promulgated the Administrative Measures for the Licensing of Telecommunication Business Operations, which became effective on April 10, 2009. Those regulations apply to the application for, and examination and approval of, telecommunications business licenses in the PRC.

The PRC government recently implemented a number of measures that permit certain operators approved by the MIIT to lease 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 Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. The trial period will end on December 31, 2015, subject to further adjustment by MIIT. From December 2013 through December 2014, the applications of 42 applicants to lease and repackage mobile services and provide mobile services to end customers were approved.

Spectrum Usage. 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.

Spectrum usage fees for GSM networks are currently charged at the annual rate of RMB17 million per MHz for the 900 MHz frequency band, RMB14 million per MHz for the 1800 MHz frequency band, and RMB1.4 million per MHz per province for non-nationwide use. Spectrum usage fees are charged on the basis that uplink and downlink frequencies are separately charged. Spectrum usage fees for TD-SCDMA networks are currently charged at the annual rate of RMB15 million per MHz for the 960 MHz to 2300 MHz frequency bands and RMB12 million per MHz for the 2300 MHz to 2690 MHz frequency bands, while rates for indoor-only frequency bands are set at 30% of the corresponding full rates. As of March 31, 2015, no detailed standards have been promulgated for spectrum usage fees for TD-LTE networks. The relevant regulatory authorities in China may review these fee arrangements in the future.

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 10th day of the first month of each quarter. Moreover, under the applicable regulations, mobile companies are required to pay an annual usage fee of RMB12 million for each network number.

Tariff Setting. 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 March 2008, the MII reduced the maximum domestic roaming usage charges that a mobile services provider may charge on roaming services. In December 2009, the PRC regulators promulgated policies to eliminate domestic roaming usage charges on outgoing international long distance calls when domestic roaming services are used, as well as eliminate local usage charges on outgoing domestic and international long distance calls when roaming services are not used. 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. Under the current telecommunications regulations, tariffs for those telecommunications businesses that are considered fully competitive may be set by the service providers as market based tariffs.

Interconnection Arrangements and Lease Line Arrangements. 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 “— Technical Standards” below. The MIIT also 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.

Interconnection Charges. 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 will 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. The implementation of asymmetrical interconnection charges such as those described above could materially harm our competitive position, which could in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.

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 March 2014, the MIIT and the SASAC jointly issued the 2014 Implementation Opinions on Promoting the Joint Construction and Sharing of Telecommunications Infrastructure. The opinions required joint construction and sharing of five types of facilities, including transmission towers, transmission poles, base stations, pipelines, and indoor distribution systems, and identified four types of key sites, including public transportation, scenic areas and parks, buildings and other sites designated by local communications authorities, and two key areas of construction, namely the inter-provincial trunk cables and domestic extensions of international transmission systems. The opinions require that, for the construction of base stations, pipelines and other telecommunications infrastructure in the above key areas of construction, both joint construction and joint sharing are mandatory whenever conditions allow. For WLAN construction in the four specified types of key sites, joint construction is mandatory whenever conditions allow.

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 2012, we received an audio and video transmission license from the former State Administration of Radio, Film and Television of the PRC, which enables us to provide audio and video programs through mobile Internet.

Employees

As of December 31, 2012, 2013 and 2014, we had 182,487, 197,030 and 241,550 employees, respectively. Substantially all of our employees are located in Mainland China. The employees as of December 31, 2014 are classified in the following table. Approximately 69.09% of our permanent employees have college or graduate degrees. Set forth below is a breakdown of our employees by function as of December 31, 2014.

Management	29,652
Technical	58,849
Marketing	104,089
General affairs	31,495
Other	17,465
Total	<u>241,550</u>

We provide benefits to certain employees, including housing, retirement benefits and hospital, maternity, disability and dependent medical care benefits. Most of our employees are members of a labor association. We have not experienced any strikes, slowdowns or labor disputes that have interfered with our operations during 2014, and we believe that our relations with our employees are good.

The number of labor sourced by third parties reached 237,808 by the end of 2014.

Properties, 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. We believe that all of our owned and leased properties are well maintained and are suitable and adequate for our present use.

Disclosure of Iranian Activities under Section 13(r) of the Exchange 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 2014 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 an international roaming agreement with Irancell Telecommunications Services Company in Iran, which may be a government-controlled entity. In 2014, our gross revenue generated by roaming traffic under these agreements was less than US\$500,000, and our net profit generated by roaming traffic under these agreements was insignificant.

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

Item 4A. Unresolved Staff Comments.

None.

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.

Overview of Our Operations

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

	Year ended December 31,		
	2012	2013	2014
Total Voice Usage (in billions of minutes)	4,192.3	4,316.0	4,293.9
Mobile Data Traffic (in billions of megabytes)	289.8	526.8	1,132.9
Operating Revenue ⁽¹⁾ (in RMB millions)	581,835	630,177	641,448
Operating Expenses ⁽¹⁾ (in RMB millions)	429,105	494,528	524,114
Profit Attributable to Equity Shareholders (in RMB millions)	129,274	121,692	109,279

(1) Prior to 2013, the sales of products were incidental to our telecommunications services. In 2013 and 2014, our sales of products have become more than incidental as a result of our business development, and accordingly we present the revenue from sales of products and related cost of products sold separately with the comparative figures also being presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the years presented.

In 2012, 2013 and 2014, our customer base continued to experience stable growth while our wireless data traffic business continued to experience rapid growth. Our total net increase in the number of customers was 39.4 million in 2014 and our total customer base reached 806.6 million as of December 31, 2014. Our total voice usage increased by 3.0% in 2013 and decreased by 0.5% in 2014. Our mobile data traffic increased by 81.8% in 2013 and by 115.1% in 2014. As a result, our operating revenue increased by 8.3% in 2013 and by 1.8% in 2014. Our data business continued to grow, and our data services revenue accounted for 35.0% and 43.5% of our revenue from telecommunications services in 2013 and 2014, respectively. Our operating expenses increased by 15.2% in 2013 and by 6.0% in 2014. Our profit attributable to equity shareholders decreased by 5.9% in 2013 and by 10.2% in 2014.

The PRC economy continued to grow in terms of GDP by 7.4% in 2014, 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 94.5% as of December 31, 2014, the mobile markets in some economically developed regions of Mainland China has begun to show 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 mobile 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.” 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 “Risk Factors — Risks Relating to Our Business — Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change 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”, “Risk Factors — Risks Relating to Our Business — Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from providers offering telecommunications services using alternative technologies, which could materially and adversely affect our business and market position” and “Risk Factors — Risks Relating to Our Business — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.” Our financial performance is also subject to the economic and social conditions in Mainland China. See “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.

Prior to September 13, 2012, we had an arrangement with CMCC under which CMCC maintained its settlement arrangements with respect to international interconnection and roaming with the relevant telecommunications services providers in foreign countries and regions, and collected the relevant usage fees and other fees from us and paid 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 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.

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.

Tariff Adjustments

The tariffs charged by PRC telecommunications operators are regulated by the PRC government. See “Item 4. Information on the Company — Business Overview — Regulation — Tariff Setting.” 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. We expect the decrease in tariffs to gradually slow down after the adjustments we implemented in recent years.

Our ARPU Has Declined in Recent Years and May Further Decline in the Future

Our average revenue per user, or ARPU, has been declining in recent years. In 2014, our ARPU decreased to RMB61 from RMB67 in 2013, primarily due to the fact that a significant number of our new customers are users with relatively low usage of mobile services and the availability of alternative services through the Internet. This decline was also due to the impact of regulatory policies, including the implementation of value-added tax and asymmetrical interconnection settlement arrangements, as well as the transformation of our marketing model that has generally resulted in declines in tariffs. Since we expect these factors to continue, we expect our ARPU to further decline.

Critical Accounting Policies and Estimates

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with IFRS for the years ended December 31, 2012, 2013 and 2014. 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, allowance for doubtful accounts, depreciation, impairment of property, plant and equipment, interest in associates, goodwill and other intangible assets arising from acquisitions. 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

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 discounted 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 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.

Allowance for Doubtful Accounts

We maintain allowances 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 allowances may be required.

Depreciation

Depreciation is based on the estimated useful lives of items of property, plant and equipment, less their estimated residual value, if any, to write off the cost of these items using the straight-line method over their estimated useful lives. We review the estimated useful lives and residual values of our assets annually. 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(h) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Impairment of Property, Plant and Equipment, Interest in Associates, Goodwill and Other Intangible Assets

Our property, plant and equipment, consisting primarily of telecommunications transceivers, switching centers, transmission and other network 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, interest in associates and other intangible assets subject to amortization 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 approximation 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, interest in associates, goodwill and other intangible assets was recorded in 2012, 2013 and 2014, except for the goodwill impairment in 2014. Details are set forth in note 16 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.

Possible Impact of Amendments, New Standards, Interpretations And Disclosures Issued But Not Yet Effective For The Year Ended December 31, 2014

Up to the date of issue of our consolidated financial statements for the year ended December 31, 2014, the IASB has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended December 31, 2014 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>
Amendment to International Accounting Standard, or IAS, 19, "Employee Benefits"	July 1, 2014
Annual Improvement to IFRSs 2010-2012 cycle	July 1, 2014
Annual Improvement to IFRSs 2011-2013 cycle	July 1, 2014
Amendment to IFRS 11, "Joint Arrangements"	January 1, 2016
Amendment to IAS 16, "Property, Plant and Equipment"	January 1, 2016
Amendment to IAS 38, "Intangible Assets"	January 1, 2016
Amendment to IFRS 10, "Consolidated Financial Statements"	January 1, 2016
Amendment to IAS 28, "Investments in Associates and Joint Ventures"	January 1, 2016
Amendment to IAS 27, "Separate Financial Statements"	January 1, 2016
Annual Improvement to IFRSs 2012-2014 cycle	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
IFRS 9 "Financial Instrument"	January 1, 2018

We are assessing the impact of these new standards and amendments to standards, and will adopt the relevant standards and amendments to standards in the subsequent periods as required.

In addition, the requirements of Part 9 “Accounts and Audit” of the Companies Ordinance come into operation from our first financial year commencing on or after March 3, 2014 in accordance with Section 358 of the Companies Ordinance. We are in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on our consolidated financial statements for the year ending December 31, 2015. As of the date of this annual report on Form 20-F, we expect that the impact is unlikely to be significant and only the presentation and the disclosure of information in our consolidated financial statements will be affected.

Results of Operations

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

	Year Ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Operating revenue⁽¹⁾:			
Revenue from telecommunications services	560,413	590,811	581,817
Revenue from sales of products and others	<u>21,422</u>	<u>39,366</u>	<u>59,631</u>
Total	<u>581,835</u>	<u>630,177</u>	<u>641,448</u>
Operating expenses⁽¹⁾:			
Leased lines	9,909	18,727	21,083
Interconnection	25,140	25,998	23,389
Depreciation	100,848	104,699	116,225
Personnel	31,256	34,376	36,830
Selling expenses	80,232	91,834	75,781
Cost of products sold	41,448	61,363	74,464
Other operating expenses	<u>140,272</u>	<u>157,531</u>	<u>176,342</u>
Total	<u>429,105</u>	<u>494,528</u>	<u>524,114</u>
Profit from operations	152,730	135,649	117,334
Non-operating income, net	615	910	1,089
Interest income	12,661	15,289	16,149
Finance costs	(390)	(331)	(228)
Share of profit of associates	5,685	7,062	8,248
Share of loss of a joint venture	<u>(1)</u>	<u>—</u>	<u>—</u>
Profit before taxation	171,300	158,579	142,592
Taxation	<u>(41,919)</u>	<u>(36,776)</u>	<u>(33,187)</u>
Profit for the year	<u>129,381</u>	<u>121,803</u>	<u>109,405</u>
Attributable to:			
Equity shareholders	129,274	121,692	109,279
Non-controlling interests	<u>107</u>	<u>111</u>	<u>126</u>
Profit for the year	<u>129,381</u>	<u>121,803</u>	<u>109,405</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 SIM cards and terminals as well as revenue from construction contracts.

Prior to 2013, the sales of products were incidental to our telecommunications services. In 2013 and 2014, our sales of products have become more than incidental as a result of our business development, and accordingly we present the revenue from sales of products and related cost of products sold separately with the comparative figures also being presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the years presented.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

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 mobile 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 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 by 1.8% from RMB630,177 million in 2013 to RMB641,448 million (US\$103,383 million) in 2014. This increase was primarily due to the growth in our data services and our terminal sales business.

Revenue from telecommunications services decreased by 1.5% from RMB590,811 million in 2013 to RMB581,817 million (US\$93,772 million) in 2014. Voice services revenue decreased by 13.1% from RMB355,686 million in 2013 to RMB308,959 million (US\$49,795 million) in 2014. This decrease was principally due to the substitution effect of Over The Top products, which resulted in a decrease in voice usage for the first time, and the implementation of value-added tax in the PRC. Our average voice services revenue per minute continued to reflect a downward trend from RMB0.082 in 2013 to RMB0.072 in 2014. With intensified market competition and further tariff decreases, our average voice services revenue per minute may continue to decline in future periods. In response to the downward trend in voice services revenue, we are providing reasonable tariff packages and undertaking sales and marketing activities. As a percentage of revenue from telecommunications services, voice services revenue decreased from 60.2% in 2013 to 53.1% in 2014.

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

	Year Ended December 31,	
	2013	2014
	(Revenue, in millions of RMB)	
SMS and MMS	41,320	34,780
Wireless data traffic	108,239	153,926
of which: Mobile data traffic	105,373	150,571
Applications and information services	57,327	64,382
Data services revenue	<u>206,886</u>	<u>253,088</u>
Data services revenue as a percentage of revenue from telecommunications services	35.0%	43.5%

Data services revenue increased by 22.3% from RMB206,886 million in 2013 to RMB253,088 million (US\$40,790 million) in 2014. This increase was mainly due to our continued efforts to promote data traffic services operations, with a focus on the expansion of our 4G network capacity. Our data business includes wireless data traffic, SMS and MMS, and applications and information services. Revenue generated from mobile data traffic, which has become a strong driver of revenue growth, grew by 42.9% to RMB150,571 million in 2014, as compared to RMB105,373 million in 2013, primarily due to the rapid development of the mobile Internet business, the increasing market penetration of smartphones by focusing on the sales of 4G terminals and the development of 4G services. Revenue generated from SMS and MMS decreased by 15.8% from RMB41,320 million in 2013 to RMB34,780 million in 2014, as competition from Internet instant messaging applications continued to intensify, and SMS service volume decreased by 16.7% compared to the previous year. Growth of applications and information services, in particular “Migu Music”, “and-Reading”, “and-Video”, “and-Game”, and “and-Animation”, was favorable. Revenue generated from applications and information services grew by 12.3% to RMB64,382 million in 2014, as compared to RMB57,327 million in 2013. As a percentage of revenue from telecommunications services, data services revenue increased from 35.0% in 2013 to 43.5% in 2014. We expect our data services revenue, in particular revenue generated from wireless data traffic business and applications and information services, to continue to grow in 2015.

Revenue from sales of products and others increased by 51.5% from RMB39,366 million in 2013 to RMB59,631 million (US\$9,611 million) in 2014. This increase was primarily due to our efforts to increase the sales of terminals, since the long-term development of the TD terminal supply chain has considerable potential to drive data traffic growth.

Operating Expenses. Operating expenses include leased line expenses, interconnection expenses, depreciation expenses relating to our mobile network and other property, plant and equipment, personnel expenses, selling expenses, cost of products sold and other operating expenses. Other operating expenses primarily consist of network maintenance expenses, operating lease charges, labor service expenses, impairment loss of doubtful accounts, assets written off and other miscellaneous expenses.

Operating expenses increased by 6.0% from RMB494,528 million in 2013 to RMB524,114 million (US\$84,472 million) in 2014. The increase was due to an increase in investments and the expansion of asset scale resulting in increases in depreciation expenses and maintenance fees.

Leased line expenses increased by 12.6% from RMB18,727 million to RMB21,083 million (US\$3,398 million) in 2014. The increase was a result of (i) an increase in TD network capacity leasing fees, due to an increase in TD network utilization rate and expansion in the asset scale relating to the TD network, (ii) an increase in leasing fees for Internet ports, due to the rapid development of mobile Internet services and a rapid increase in data traffic and (iii) our payment of the leasing fees to CMCC for the “Village Connect” assets constructed before 2013. As a percentage of operating expenses, leased line expenses increased from 3.8% in 2013 to 4.0% in 2014.

Interconnection expenses decreased by 10.0% from RMB25,998 million in 2013 to RMB23,389 million (US\$3,770 million) in 2014, primarily due to a decrease in SMS and MMS settlement expenses to other operators as a result of adjustments in the interconnection settlement standards. Interconnection expenses as a percentage of operating expenses decreased from 5.2% in 2013 to 4.5% in 2014.

Depreciation expenses increased by 11.0% from RMB104,699 million in 2013 to RMB116,225 million (US\$18,732 million) in 2014. The increase was mainly due to the expansion in our network assets, which is in turn due to large-scale capital expenditure undertaken by us for the purpose of building and expanding our 4G network as part of our strategic transformation. As a percentage of operating expenses, depreciation expenses increased from 21.1% in 2013 to 22.2% in 2014.

Personnel expenses increased by 7.1% from RMB34,376 million in 2013 to RMB36,830 million (US\$5,936 million) in 2014. This increase was primarily due to an increase in headcount and social insurance costs. The total number of our personnel increased due to the need to support 4G network construction and the transformation of our development, as well as adjustment of employment structure in accordance with the requirements of relevant laws, rules and regulations. As a percentage of operating expenses, personnel expenses remained stable at 7.0% from 2013 to 2014.

Selling expenses decreased by 17.5% from RMB91,834 million in 2013 to RMB75,781 million (US\$12,214 million) in 2014. This decrease was principally the result of our decision to optimize our marketing and sales model. As a percentage of operating expenses, selling expenses decreased from 18.6% in 2013 to 14.5% in 2014.

Cost of products sold increased by 21.3% from RMB61,363 million in 2013 to RMB74,464 million (US\$12,001 million) in 2014. This increase was mainly due to our efforts to increase the sales of devices, especially TD-LTE smartphones, resulting in a corresponding increase in the costs of goods sold. As a percentage of operating expenses, cost of products sold increased from 12.4% in 2013 to 14.2% in 2014.

Other operating expenses increased by 11.9% from RMB157,531 million in 2013 to RMB176,342 million (US\$28,421 million) in 2014. As a percentage of operating expenses, other operating expenses increased from 31.9% in 2013 to 33.6% in 2014. This increase was primarily due to an increase in network maintenance and other related expenses attributable to the expansion in our network assets. The increase in other operating expenses was partially offset by a decrease in conference and travelling expenses due to the implementation of controls over administrative expenses. For more information on our other operating expenses, see note 6 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 13.5% from RMB135,649 million in 2013 to RMB117,334 million (US\$18,911 million) in 2014, and operating margin (profit from operations as a percentage of operating revenue) decreased from 21.5% in 2013 to 18.3% in 2014.

Non-Operating Income, net. Non-operating income, net increased by 19.7% from RMB910 million in 2013 to RMB1,089 million (US\$176 million) in 2014, principally due to an increase in penalty income from RMB405 million in 2013 to RMB507 million in 2014.

Interest Income. Interest income increased by 5.6% from RMB15,289 million in 2013 to RMB16,149 million (US\$2,603 million) in 2014, mainly because the average bank and cash balance during the year increased compared to the previous year and the average yield of our bank deposits increased due to the optimization of the composition of our bank deposits.

Finance Costs. Finance costs decreased by 31.1% from RMB331 million in 2013 to RMB228 million (US\$37 million) in 2014. This decrease was because in 2014 there was no longer an outstanding balance for the deferred consideration payable in connection with the acquisition of our subsidiaries in 2002 and 2004.

Share of Profit of Associates. We had a share of profit of associates of RMB8,248 million (US\$1,329 million) in 2014, which was primarily attributable to our shareholding in SPD Bank, compared to a share of profit of associates of RMB7,062 million in 2013. Our share of profit of associates has been adjusted to reflect the amortization of the proportionate fair value of the associates' identifiable net assets as of the date of our investment in excess of our cost of investment. See note 19 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 tax decreased by 10.1% from RMB158,579 million in 2013 to RMB142,592 million (US\$22,982 million) in 2014.

Taxation. Our income tax expense decreased by 9.8% from RMB36,776 million in 2013 to RMB33,187 million (US\$5,349 million) in 2014. This decrease was due to a decrease in taxable income. Our effective tax rate was 23.2% in 2013 and 23.3% in 2014, respectively.

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 10.2% from RMB121,692 million in 2013 to RMB109,279 million (US\$17,613 million) in 2014. Net profit margin (profit attributable to equity shareholders as a percentage of operating revenue) decreased from 19.3% in 2013 to 17.0% in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Operating revenue increased by 8.3% from RMB581,835 million in 2012 to RMB630,177 million in 2013. This increase was primarily due to our efforts to achieve favorable retention rates for middle-to-high-end customers, grow our data traffic operations and further develop our corporate customer business and terminal sales business. Our total number of customers was 767.2 million as of December 31, 2013, compared to 710.3 million as of December 31, 2012.

Revenue from telecommunications services increased by 5.4% from RMB560,413 million in 2012 to RMB590,811 million in 2013. Voice services revenue decreased by 3.4% from RMB368,025 million in 2012 to RMB355,686 million in 2013. This decrease principally resulted from the substitution effect of mobile Internet services, which resulted in a slowdown in the growth of voice usage. Our average voice services revenue per minute continued to reflect a downward trend from RMB0.088 in 2012 to RMB0.082 in 2013. With intensified market competition and with further declines in tariffs, our average voice services revenue per minute may continue to decline in future periods. In order to mitigate the downward trend of voice services, we are providing more attractive tariff packages in order to effectively promote voice usage and actively maintain the value of our voice services business. As a percentage of revenue from telecommunications services, voice services revenue decreased from 65.7% in 2012 to 60.2% in 2013.

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

	Year Ended December 31,	
	2012	2013
	(Revenue, in millions of RMB)	
SMS and MMS	44,215	41,320
Wireless data traffic	68,257	108,239
Applications and information services	53,876	57,327
Data services revenue	<u>166,348</u>	<u>206,886</u>
Data services revenue as a percentage of revenue from telecommunications services	29.7%	35.0%

Data services revenue increased by 24.4% from RMB166,348 million in 2012 to RMB206,886 million in 2013. This increase was mainly due to our continued efforts to promote data traffic services operations, with a focus on network optimization and upgrading and sale of 3G smartphones. Our data business includes SMS and MMS, wireless data traffic and applications and information services. Revenue generated from SMS and MMS decreased by 6.5% to RMB41,320 million in 2013 from RMB44,215 million in 2012 as SMS and MMS tariffs continued to decline, competition from Internet instant messaging applications continued to intensify, and SMS service volume decreased for the first time with a decrease of 1.4% over the previous year. Revenue generated from wireless data traffic, which has become a strong driver of revenue growth, grew by 58.6% to RMB108,239 million in 2013, as compared to RMB68,257 million in 2012, primarily due to the significant increase in mobile data traffic resulting from the rapid development of the mobile Internet business and the increasing market penetration of smartphones. Growth of applications and information services, in particular “Migu Music”, “and-Reading”, “and-Video”, “and-Game”, and “and-Animation”, was also an important driver for our data business. Revenue generated from applications and information services grew by 6.4% to RMB57,327 million in 2013, as compared to RMB53,876 million in 2012. As a percentage of revenue from telecommunications services, data services revenue increased from 29.7% in 2012 to 35.0% in 2013. We expect our data services revenue, in particular revenue generated from wireless data traffic business and applications and information services, to continue to grow in 2014.

Revenue from sales of products and others increased by 83.8% from RMB21,422 million in 2012 to RMB39,366 million in 2013. This increase was primarily due to our efforts to increase the sales volume of devices, especially TD smartphones, since the long-term development of the TD terminal supply chain has considerable potential to drive data traffic growth.

Operating Expenses. Operating expenses include leased line expenses, interconnection expenses, depreciation expenses relating to our mobile network and other property, plant and equipment, personnel expenses, selling expenses, cost of products sold and other operating expenses. Other operating expenses primarily consist of network maintenance expenses, operating lease charges, labor service expenses, impairment loss of doubtful accounts, asset write-offs and other miscellaneous expenses.

Operating expenses increased by 15.2% from RMB429,105 million in 2012 to RMB494,528 million in 2013. The increase was due to an increase in investments of resources to support our business development and reinforce our core competitiveness in connection with our strategic transformation, including an increase in investments relating to network maintenance and optimization, customer service, third-party distribution channels and research and development.

Leased line expenses increased by 89.0% from RMB9,909 million in 2012 to RMB18,727 million in 2013. The increase was a result of (i) an increase in TD network capacity leasing fees, due to an increase in TD network utilization rate and expansion in the volume of assets relating to the TD network, (ii) an increase in leasing fees for Internet ports, due to the rapid development of mobile Internet services and a rapid increase in data traffic and (iii) our payment of the leasing fees to CMCC for the “Village Connect” assets constructed before 2013. As a percentage of operating expenses, leased line expenses increased from 2.3% in 2012 to 3.8% in 2013.

Interconnection expenses increased by 3.4% from RMB25,140 million in 2012 to RMB25,998 million in 2013, primarily due to an increase in the volume of outbound voice usage to other operators. Our continuing marketing strategy of reorganizing and re-routing traffic volume has led to a lower proportion of inter-network traffic volume, and interconnection expenses as a percentage of operating expenses decreased from 5.8% in 2012 to 5.2% in 2013.

Depreciation expenses increased by 3.8% from RMB100,848 million in 2012 to RMB104,699 million in 2013. The increase was mainly due to an expansion in the volume of our assets, which is in turn due to large-scale capital expenditure undertaken by us for the purpose of upgrading our network as part of our strategic transformation. As a percentage of operating expenses, depreciation expenses decreased from 23.5% in 2012 to 21.1% in 2013.

Personnel expenses increased by 10.0% from RMB31,256 million in 2012 to RMB34,376 million in 2013. This increase was primarily due to an increase in headcount and social insurance costs. As a percentage of operating expenses, personnel expenses decreased from 7.3% in 2012 to 7.0% in 2013.

Selling expenses increased by 14.5% from RMB80,232 million in 2012 to RMB91,834 million in 2013. This increase was principally the result of an increase in investments in sales channels, customer service and other areas in response to intensified market competition and in order to strengthen our relationship with existing customers and middle-to-high-end customers, as well as, continue to improve customer service and satisfaction. As a percentage of operating expenses, selling expenses decreased slightly from 18.7% in 2012 to 18.6% in 2013.

Cost of products sold increased by 48.0% from RMB41,448 million in 2012 to RMB61,363 million in 2013. This increase was mainly due to our efforts to increase the sales volume of devices, especially TD smartphones, resulting in a corresponding increase in the costs of goods sold. As a percentage of operating expenses, cost of products sold increased from 9.7% in 2012 to 12.4% in 2013.

Other operating expenses increased by 12.3% from RMB140,272 million in 2012 to RMB157,531 million in 2013. This increase was primarily due to an increase in network maintenance and other related expenses attributable to the expansion in our network assets as well as an increase in labor service expenses. The increase in other operating expenses was partially offset by a decrease in the write-off of property, plant and equipment as well as a decrease in conference and travelling expenses due to the implementation of controls over administrative expenses. As a percentage of operating expenses, other operating expenses decreased from 32.7% in 2012 to 31.9% in 2013. For more information on our other operating expenses, see note 6 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 11.2% from RMB152,730 million in 2012 to RMB135,649 million in 2013, and operating margin (profit from operations as a percentage of operating revenue) decreased from 26.2% in 2012 to 21.5% in 2013.

Non-Operating Income, net. Non-operating income, net increased by 48.0% from RMB615 million in 2012 to RMB910 million in 2013, principally due to an increase in penalty income from RMB256 million in 2012 to RMB405 million in 2013.

Interest Income. Interest income increased by 20.8% from RMB12,661 million in 2012 to RMB15,289 million in 2013, mainly due to an increase in the amount of bank deposits and an increase in the average yield of our bank deposits as we optimized the composition of our bank deposits in 2013.

Finance Costs. Finance costs decreased by 15.1% from RMB390 million in 2012 to RMB331 million in 2013. This decrease was due to lower interest rates in 2013 in respect of the deferred consideration payable in connection with the acquisition of our subsidiaries in 2002 and 2004, respectively. In 2013, the average interest rate that we paid on our outstanding borrowings was approximately 1.96%, compared to 1.36% in 2012.

Share of Profit of Associates. We had a share of profit of associates of RMB7,062 million in 2013, which was primarily attributable to our shareholding of 20% of the enlarged issued share capital of SPD Bank, compared to a share of profit of associates of RMB5,685 million in 2012. Our share of profit of associates has been adjusted to reflect the amortization of the proportionate fair value of the associates' identifiable net assets as of the date of our investment in excess of our cost of investment.

Profit before Taxation. As a result of the foregoing, profit before tax decreased by 7.4% from RMB171,300 million in 2012 to RMB158,579 million in 2013.

Taxation. Our income tax expense decreased by 12.3% from RMB41,919 million in 2012 to RMB36,776 million in 2013. This decrease was due to a decrease in taxable income, as well as the preferential tax rates. Our effective tax rate was 24.5% in 2012 and 23.2% in 2013, respectively.

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 5.9% from RMB129,274 million in 2012 to RMB121,692 million in 2013. Net profit margin (profit attributable to equity shareholders as a percentage of operating revenue) decreased from 22.2% in 2012 to 19.3% in 2013.

Liquidity and Capital Resources

Liquidity

Our principal source of liquidity is cash generated from our operations. As of December 31, 2014, we had working capital (current assets minus current liabilities) of RMB45,707 million (US\$7,367 million), compared to working capital of RMB96,276 million as of December 31, 2013 and working capital of RMB148,797 million as of December 31, 2012. The decrease in our working capital as of December 31, 2014 from December 31, 2013 was primarily due to an increase in accounts payable, accrued expenses and other payables, partially offset by the increases in prepayments and other current assets, accounts receivable and other receivables. The current portion of our finance lease obligations as of December 31, 2012, 2013 and 2014 were RMB68 million, RMB68 million and RMB68 million (US\$11 million), respectively.

Bank deposits represent term deposits with banks with original maturity exceeding three months. As of December 31, 2014, we had bank deposits of RMB352,118 million (US\$56,751 million), compared to bank deposits of RMB374,977 million as of December 31, 2013 and bank deposits of RMB331,997 million as of December 31, 2012. The increase of bank deposits in 2013 was mainly because the amount of net cash generated from operating activities remained substantial, while the decrease of bank deposits in 2014 was mainly due to substantial capital expenditures resulting from the development of our 4G services.

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

	Year ended December 31,		
	2012	2013	2014
	(in millions of RMB)		
Net cash generated from operating activities	230,709	224,985	211,022
Net cash used in investing activities	(191,176)	(171,475)	(146,219)
Net cash used in financing activities	(54,897)	(79,431)	(42,944)
Net increase / (decrease) in cash and cash equivalents	<u>(15,364)</u>	<u>(25,921)</u>	<u>21,859</u>

Net cash generated from operating activities decreased by 6.2% from RMB224,985 million in 2013 to RMB211,022 million (US\$34,011 million) in 2014, which is in line with the decrease in our profit from operations excluding depreciation and amortization, a decrease in the increase in accrued expenses and other payables, and an increase in the increase in prepayments and other current assets.

Net cash generated from operating activities decreased by 2.5% from RMB230,709 million in 2012 to RMB224,985 million in 2013, which reflects the decrease in our profit from operations excluding depreciation and amortization, as well as the increase in inventories in 2013.

Net cash used in investing activities decreased by 14.7% from RMB171,475 million in 2013 to RMB146,219 million (US\$23,566 million) in 2014, primarily because there was a decrease in bank deposits in 2014 compared to an increase in bank deposits in 2013, which was partially offset by an increase in capital expenditure resulting from the development of our 4G services.

Net cash used in investing activities decreased by 10.3% from RMB191,176 million in 2012 to RMB171,475 million in 2013, primarily due to a decrease in the increase in bank deposits, which was partially offset by an increase in capital expenditure and an increase in interest received.

Net cash used in financing activities decreased by 45.9% from RMB79,431 million in 2013 to RMB42,944 million (US\$6,921 million) in 2014. The larger amount of cash used in financing activities in 2013 compared to 2014 was mainly attributable to our repayment of deferred considerations in full in 2013.

Net cash used in financing activities increased by 44.7% from RMB54,897 million in 2012 to RMB79,431 million in 2013. The larger amount of cash used in financing activities in 2013 compared to 2012 was mainly attributable to our payment in full of deferred considerations payable in connection with the acquisition of our subsidiaries in 2002 and 2004.

Capital Expenditures

Capital expenditures incurred in 2012, 2013 and 2014 were RMB127,403 million, RMB184,888 million and RMB213,508 million (US\$34,411 million), respectively. We incurred capital expenditures principally for the construction of our mobile communications networks, support systems, transmission facilities, buildings and infrastructure and others. The level of our capital expenditures increased in 2014 principally as a result of the increasing demand for services provided by our networks due to the continued growth of our customer base and rapid growth of our data business, in particular the development of our 4G services.

We estimate that we will incur capital expenditures of approximately RMB199.7 billion (US\$32.2 billion) in 2015. We expect that approximately 39% of our capital expenditures in 2015 will be used in the construction of mobile communications networks, approximately 33% will be used in the construction of transmission facilities, approximately 8% will be used for the construction of business networks, approximately 5% will be used for the construction of support systems, approximately 13% will be used for the construction of buildings and infrastructure, and approximately 2% will be used for other construction.

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 2015.

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

As of December 31, 2013 and 2014, we did not have any long-term or short-term bank and other loans, excluding the current portion of our finance lease obligations of RMB68 million and RMB68 million (US\$11 million) and guaranteed bonds as described below, respectively.

On October 28, 2002, our wholly-owned subsidiary, Guangdong Mobile, issued RMB5,000 million guaranteed bonds due 2017, with the entire net proceeds used to settle part of the deferred consideration for our acquisition of eight regional mobile companies in China from CMCC. These bonds commenced trading on the Shanghai Stock Exchange on January 22, 2003. The guaranteed bonds bear fixed interest of 4.5%, payable annually. We have issued a joint and irrevocable guarantee for the performance of these bonds, and CMCC has issued a further guarantee in relation to the performance by us of our guarantee obligation. These bonds received a consolidated credit rating of “AAA” by China Chengxin International Credit Rating Company Limited and a consolidated credit rating of “AAA” by Dagong Global Credit Rating Co. Ltd, a PRC credit rating agency.

We currently have a corporate credit rating of Aa3/Outlook Stable from Moody’s and AA-/Outlook Stable from Standard & Poor’s, which remain at levels equivalent to China’s sovereign credit rating, respectively. Any downgrade in our credit rating will not trigger any events of default on our outstanding bonds or loans or our existing credit facilities.

For a discussion of our interest rate risk, please see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

Other Contractual Obligations and Commitments

As of December 31, 2014, we had various contractual obligations and commitments which are more fully disclosed in the notes to our consolidated financial statements. The principal components of these obligations and commitments include:

- our short-term and long-term debts (in addition to the bonds described under “— Indebtedness” above), which includes finance leases;
- operating leases; and
- 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 leases and other 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, 2014:

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>
	(in millions of RMB)				
Accounts Payable	223,503	223,503	—	—	—
Bills Payable	674	674	—	—	—
Accrued Expenses and Other Payables	134,725	134,725	—	—	—
Bonds	5,635	225	5,410	—	—
Finance Lease Obligations	71	71	—	—	—
Total Contractual Obligations	364,608	359,198	5,410	—	—

The following table sets forth certain information regarding our other commercial commitments as of December 31, 2014:

<u>Other Commercial Commitments</u>	<u>Amount of Commitment Expiration Per Period</u>				
	<u>Total Amount Committed</u>	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>
	(in millions of RMB)				
Operating Lease Commitments	51,007	20,067	15,345	8,720	6,875
Capital Commitments	176,766	135,982	40,784	—	—
Total Commercial Commitments	227,773	156,049	56,129	8,720	6,875

Off-Balance Sheet Arrangements

As of December 31, 2014, 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 10. Additional Information — Exchange Controls.”

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 24, 2015.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. XI Guohua	63	Executive Director and Chairman
Mr. LI Yue	55	Executive Director and Chief Executive Officer
Mr. XUE Taohai	58	Executive Director, Vice President and Chief Financial Officer
Mr. SHA Yuejia	57	Executive Director and Vice President
Mr. LIU Aili	51	Executive Director and Vice President
Dr. LO Ka Shui	68	Independent Non-Executive Director
Mr. Frank K.S. WONG	67	Independent Non-Executive Director
Dr. Moses M.C. CHENG	65	Independent Non-Executive Director
Mr. Paul M.Y. CHOW	68	Independent Non-Executive Director

Mr. XI Guohua has served as our Executive Director since July 2011 and our Chairman since March 2012. He is in charge of our overall management. Mr. Xi served as our Vice Chairman from July 2011 to March 2012. Mr. Xi is also the Chairman of CMCC and CMC. Mr. Xi previously held positions at the Post and Telecommunications Administration of Shanghai as Deputy Director General of the Telegraph Bureau, Deputy Director of the Telecommunications Division, Director General of the Long-Distance Telecommunications Bureau, Deputy Chief Engineer and Deputy Director General, respectively. Mr. Xi also served as Deputy Director General of the Directorate General of Telecommunications of the Ministry of Posts and Telecommunications, Chairman and Executive Vice President of Shanghai Bell Company Limited, the Vice Minister of the MII, the President of China Network Communications Group Corporation and the Vice Minister of the MIIT. Mr. Xi graduated in 1977 from the Department of Electrical Engineering of Hefei University of Technology, and holds a Master of Management degree in Economics and Management from Shanghai Jiaotong University and a Doctor of Management degree from the School of Economics and Management of Tongji University. Mr. Xi is a professor-level senior engineer and has extensive experience in telecommunications management, operations and technology.

Mr. LI Yue has served as our Executive Director since March 2003 and our Chief Executive Officer since August 2010. He is in charge of our operation and management. Mr. Li is also the President and director of CMCC and CMC. Mr. Li previously served as Deputy Director General and Chief Engineer of Tianjin Long-Distance Telecommunications Bureau, Deputy Director General of Tianjin Posts and Telecommunications Administration, President of Tianjin Mobile Communications Company, Deputy Head of the Preparatory Team of CMCC, Vice President of CMCC, Chairman of Aspire Holdings Limited, a non-executive director of Phoenix Satellite Television Holdings Ltd and Chairman of Union Mobile Pay Limited. Mr. Li graduated from the Correspondence College of Beijing University of Posts and Telecommunications with a Bachelor's Degree in telephone exchange, holds a Master's Degree in business administration from Tianjin University and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer and has won multiple national, provincial and ministerial level Science and Technology Advancement Awards. Mr. Li has many years of experience in the telecommunications industry, including experience in telecommunications network operations and maintenance, planning and construction, operational management and development strategies.

Mr. XUE Taohai has served as our Executive Director, Vice President and Chief Financial Officer since July 2002. Mr. Xue is principally in charge of our corporate affairs, finance and internal audit. Mr. Xue is also a Vice President of CMCC, a director of CMC and a director and Chairman of China Mobile Finance. Mr. Xue previously served as the Deputy Director General of the Finance Department of the former Ministry of Posts and Telecommunications, Deputy Director General of the Department of Financial Adjustment and Clearance of the MII and Deputy Director General of the former Directorate General of Telecommunications. He graduated from Henan University and received an EMBA degree from Peking University. He is a senior accountant with many years of experience in the telecommunications industry and financial management.

Mr. SHA Yuejia has served as our Executive Director and Vice President since March 2006. Mr. Sha is principally in charge of marketing, data business and corporate customers management. He is also a Vice President of CMCC, a director of CMC and a non-executive director of PhoenixTV and SPD Bank. He previously served as Director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, President of Beijing Telecommunications Planning Design Institute, Deputy Director General of Beijing Telecommunications Administration, Vice President of Beijing Mobile Communications Company, Chairman and President of Beijing Mobile. Mr. Sha graduated from Beijing University of Posts and Telecommunications, and received a Master's Degree from the Academy of Posts and Telecommunications of the former Ministry of Posts and Telecommunications and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.

Mr. LIU Aili has served as our Executive Director and Vice President since March 2006. Mr. Liu is principally in charge of planning and construction, network operations, business support and information management. He is also a Vice President of CMCC and a director of CMC. Mr. Liu was appointed as the Chairman of China Tower with effect from July 11, 2014. He previously served as Deputy Director General of Shandong Mobile Telecommunications Administration, Director General of Shandong Mobile Telecommunications Administration and General Manager of Shandong Mobile Communications Enterprises, Vice President of Shandong Mobile Communications Company, Director-General of Network Department of CMCC, Chairman and President of China Mobile Group Shandong Co., Ltd. and Zhejiang Mobile, Chairman of CMPak Limited and a non-executive director of China Communications Services Corporation Limited. Mr. Liu graduated from Heilongjiang Posts and Telecommunications School with an associate degree. Mr. Liu also received a Master of Management degree from Norwegian School of Management BI and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.

Dr. LO Ka Shui has served as our independent Non-Executive Director since April 2001. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, and the chairman and non-executive director of Eagle Asset Management (CP) Limited (manager of the publicly listed Champion Real Estate Investment Trust), LHIL Manager Limited (as Trustee-Manager of the publicly listed Langham Hospitality Investments) and Langhan Hospitality Investments Limited. He is also an independent non-executive director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and City-e-Solutions Limited. He is a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, the Vice Chairman of The Chamber of Hong Kong Listed Companies and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo previously served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive director of Vanke Property (Overseas) Limited (formerly known as Winsor Property Holdings Limited). Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in internal medicine and cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. Frank K.S. WONG has served as our independent Non-Executive Director since August 2002. Mr. Wong currently serves as the Chairman and independent non-executive director of Mapletree Greater China Commercial Trust Management Ltd., a non-executive director of PSA International Pte Ltd, and PSA Corporation Limited in Singapore, and an independent non-executive director of Industrial and Commercial Bank of China Limited, China. Mr. Wong previously served as Vice Chairman of DBS Bank, a member of the boards of DBS Bank and DBS Group Holdings and Chairman of DBS Bank (Hong Kong) and DBS Bank (China). He held a series of progressively senior positions with regional responsibility at Citibank, JP Morgan and NatWest. More recently, he was an independent non-executive director of Mapletree Investment Pte Ltd and National Healthcare Group Pte Ltd in Singapore. Mr. Wong has also served in various positions with Hong Kong's government bodies including the Chairman of the Hong Kong Futures Exchange between 1993 and 1998 and a member of the Financial Services Development Council of the Hong Kong SAR Government between 2013 and 2015. Mr. Wong has many years of finance and commercial management experience.

Dr. Moses M.C. CHENG has served as our independent Non-Executive Director since March 2003. Dr. Cheng is a practising solicitor and the senior partner of Messrs. P.C. Woo & Co. 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. Dr. Cheng currently holds directorships in Liu Chong Hing Investment Limited, China Resources Enterprise, Limited, Towngas China Company Limited, Kader Holdings Company Limited, K. Wah International Holdings Limited, Guangdong Investment Limited and Tian An China Investments Company Limited, all of which are publicly-listed companies in Hong Kong. He is also an independent non-executive director of ARA Asset Management Limited, a company with shares listed on the Singapore Exchange Limited. His other directorships in publicly-listed companies in the last three years include Hong Kong Exchanges and Clearing Limited and Hong Kong Television Network Limited (formerly known as City Telecom (H.K.) Limited).

Mr. Paul M.Y. CHOW has served as our independent Non-Executive Director since May 2013. Mr. Chow currently serves as the Chairman of Hong Kong Cyberport Management Company Limited, a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region, a member of the Asian Advisory Council of AustralianSuper, an independent non-executive director of Bank of China Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) and an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co Ltd.. Mr. Chow previously served as an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) from April 2003 to January 2010, and as the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003. Mr. Chow also served as a member and the Treasurer of the Council and the Court of the University of Hong Kong and the Chairman of the charitable organization "Plan International Hong Kong."

Compensation

The aggregate amount of compensation that we paid to our directors and executive officers in 2014 for services performed as directors, officers or employees was approximately HK\$13 million (US\$1.7 million).

We adopted a share option scheme on October 8, 1997, or the 1997 Scheme, pursuant to which our directors may, at their discretion, invite our employees, including executive directors, or employees of our subsidiaries, to take up options to subscribe for ordinary shares up to a maximum aggregate number of ordinary shares equal to 10% of our total issued share capital.

Pursuant to a resolution passed at the annual general meeting held on June 24, 2002, a share option scheme, or the 2002 Scheme, was implemented for a term of 10 years commencing on June 24, 2002. Under the 2002 Scheme, the board of directors may, at their discretion, invite the executive directors, non-executive directors and employees of our company, any of its holding companies and their respective subsidiaries, and any entity in which our company or any of its subsidiaries holds any equity interest to take up options to subscribe for shares in our company. The 2002 Scheme ceased to be effective from June 24, 2012 and no further options were granted under the 2002 Scheme thereafter. The 2002 Scheme will remain in effect to the extent necessary to give effect to the exercise of any options granted prior to June 24, 2012 and which at that time or thereafter become capable of being exercised under the 2002 Scheme or otherwise to the extent as may be required in accordance with the 2002 Scheme. As of December 31, 2014, the total number of ordinary shares which may be issued on the exercise of the outstanding options granted under the 2002 Scheme was 46,233,422.

The maximum aggregate number of ordinary shares which can be subscribed pursuant to options that are or may be granted under the above schemes equals to 10% of the total issued share capital of our company as of the date of adoption of the 2002 Scheme. Options lapsed or cancelled will not be counted for the purpose of calculating this 10% limit.

The consideration payable for the grant of option under the 2002 Scheme is HK\$1.00.

The exercise price of the options granted under the 2002 Scheme is determined by our board of directors at its discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of an ordinary share;
- (ii) the closing price of the ordinary shares on the Hong Kong Stock Exchange on the date on which the option was granted; and
- (iii) the average closing price of the ordinary shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date on which the option was granted.

Under the 2002 Scheme, the term of the option is determined by the board of directors at its discretion, provided that all options shall be exercised within 10 years after the date on which the option is granted.

As of December 31, 2014, the directors and employees of our company had options to subscribe for the ordinary shares of our company granted under the 2002 Scheme. In 2014, 335,886,849 of these options had been exercised. See “— Share Ownership” below for details on options granted to our directors.

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. Frank K.S. Wong, as chairman of the committee, Dr. Moses M.C. Cheng and Mr. Paul M.Y. Chow. The audit committee's major responsibilities include:

- to review the financial reports, the related report of 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 on a regular basis.

The audit committee usually meets five times each year.

Remuneration Committee

The members of our remuneration committee are Dr. Lo Ka Shui, as chairman of the committee, Mr. Frank K.S. Wong and Dr. Moses M.C. Cheng. 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 Dr. Lo Ka Shui, as chairman of the committee, Mr. Frank K.S. Wong and Dr. Moses M.C. Cheng. 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.

Employees

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

Share Ownership

As of December 31, 2014, our directors 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>
Lo Ka Shui	700,000*	0.0034%
Frank K.S. Wong	150,000	0.0007%

* 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.

As of December 31, 2014, options exercisable for an aggregate of 2,881,500 shares had been granted to the following directors and members of our senior management under our share option scheme and were outstanding. As of the same date, none of these options had been exercised.

The following options are exercisable at a price of HK\$34.87 per share through November 7, 2015:

<u>Director</u>	<u>Number of shares covered by options</u>
Li Yue	780,000
Xue Taohai	780,000
Sha Yuejia	780,000
Liu Aili	141,500
Moses M.C. Cheng	400,000

Item 7. Major Shareholders and Related Party Transactions.

Major Shareholders

As of March 31, 2015, approximately 72.72% of our outstanding shares were held by China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited. 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, 2015, 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.

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, 2015, 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, Australia, Brunei, Cambodia, Canada, Hong Kong, India, Indonesia, Macau, New Zealand, Pakistan, South Africa, South Korea, Taiwan, Thailand, the United States, and Yemen. In addition, it has filed applications to register the “CHINA MOBILE” name and logo as a trademark in Malaysia for certain goods and services. CMCC has also registered the “CHINA MOBILE” name and logo as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

On January 1, 2013, we entered into the 2013 Trademark License Agreement with CMCC, which has a term of five years. Under the 2013 Trademark License Agreement, we and our operating subsidiaries are granted the right to use the “CHINA MOBILE” name and logo. No license fee is payable by us to CMCC during the term of the 2013 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 will collect usage fees from us relating to spectrum frequency and numbering resources and make payment to the MIIT (and prior to April 2008, to the MII). 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.

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 pay the same to the transmission line providers in respect of the inter-provincial transmission lines we lease from such providers.

Platform Development

Aspire is 66.41% owned by us, and is our joint venture with Vodafone and Hewlett-Packard Company. Aspire 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, nation-wide 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.

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 will be 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 under the Network Capacity Leasing Agreement did not exceed RMB8,500 million in 2014, 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 RMB10,000 million in 2015. The transactions contemplated under the Network Capacity 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.

Interconnection Settlement Arrangements

China Tietong is a fixed-line operator in Mainland China, and as a wholly-owned subsidiary of CMCC, 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 their respective customers. The initial term of the Tripartite Agreement expired on December 31, 2009 and the agreement has been renewed for successive one-year periods since that time.

The settlement charges receivable by us from China Tietong under the Tripartite Agreement in 2014 did not exceed the de minimis threshold under Chapter 14A of the Hong Kong Listing Rules. The settlement charges payable by us under the Tripartite Agreement did not exceed RMB800 million in 2014. It is expected that, in 2015, the aggregate amount of settlement charges payable by us to China Tietong under the Tripartite Agreement (as renewed) will not exceed RMB800 million while the aggregate amount of settlement charges receivable by us from China Tietong will not exceed the de minimis threshold under Rule 14A.76 of the Hong Kong Listing Rules. The transactions contemplated under the Tripartite 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.

Telecommunications Services Cooperation Agreement

In order to meet the customers' demand for one-stop shop telecommunications services, we and CMCC have entered into a telecommunications services cooperation agreement (the "Telecommunications Services Cooperation Agreement") pursuant to which we and CMCC will provide customer development services to each other by utilizing our respective existing sales channels and resources, such as sales outlets, Internet sales network, sales personnel and local sales units, and cooperate in the provision of basic telecommunications services and value-added telecommunications services to customers of the other party. The initial term of the Telecommunications Services Cooperation Agreement expired on December 31, 2010 and the agreement has been renewed for successive one-year periods since that time.

The amount of charges receivable by us in 2014 under the Telecommunications Services Cooperation Agreement did not exceed RMB1,200 million, while the amount of charges payable by us in 2014 under the Telecommunications Services Cooperation Agreement did not exceed RMB5,000 million. It is expected that, in 2015, the aggregate amount of charges payable by us to CMCC under the Telecommunications Services Cooperation Agreement (as renewed) will not exceed RMB7,000 million, while the aggregate amount of charges receivable by us from CMCC will not exceed RMB1,700 million. The transactions contemplated under the Telecommunications Services Cooperation Agreement constitute our continuing connected transactions under Rule 14A.31 of 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.

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 "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 Network Assets Leasing Agreement expired on December 31, 2011 and the agreement has been renewed for successive one-year periods since that time.

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 2014 under the Network Assets Leasing Agreement did not exceed the de minimis threshold under Chapter 14A of the Hong Kong Listing Rules, and the amount of leasing fees payable by us to CMCC in 2014 under the Network Assets Leasing Agreement did not exceed RMB14,600 million. It is expected, in 2015, that the amount of leasing fees payable by us to CMCC under the Network Assets Leasing Agreement (as renewed) will not exceed RMB15,000 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.

Miscellaneous

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 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 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 agreements between CMCC and us:

- (i) the Property Leasing and Management Services Agreement, 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; and
- (ii) the Telecommunications Services Agreement, pursuant to which our subsidiaries obtain telecommunications project planning, design and construction services, telecommunications line and pipeline construction services and telecommunications line maintenance services from CMCC and its subsidiaries. Pursuant to the Telecommunications Services Agreement, subsidiaries of CMCC sell transmission towers and spare parts and provide related installation and maintenance services to our subsidiaries. Under this agreement, the charges and prices payable are generally determined with reference to and cannot exceed relevant standards set by and revised from time to time by relevant governmental authorities in Mainland China. Where there are no such standards, the charges and prices are determined with reference to market rates.

The rental and property management service charges paid by us to CMCC and its subsidiaries under the Property Leasing Agreement did not exceed RMB1,000 million, RMB1,500 million and RMB2,000 million in 2012, 2013 and 2014, respectively. The charges paid by us to CMCC and its subsidiaries under the Telecommunications Services Agreement did not exceed RMB2,500 million, RMB3,500 million and RMB7,000 million in 2012, 2013 and 2014, respectively, while the aggregate annual amount paid by CMCC and its subsidiaries to us in 2012, 2013 and 2014 did not exceed RMB2,400 million, RMB2,400 million and RMB2,300 million, respectively.

The transactions contemplated under the Property Leasing Agreement and the Telecommunications 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 exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules.

The rental and property management service charges payable by us to CMCC and its subsidiaries under the Property Leasing Agreement in 2015 and 2016 are not expected to exceed RMB2,200 million and RMB2,400 million, respectively. The aggregate annual amount payable by us to CMCC and its subsidiaries under the Telecommunications Services Agreement in 2015 and 2016 are not expected to exceed RMB8,000 million and RMB9,000 million, respectively, and the aggregate annual amounts payable by CMCC and its subsidiaries to us in 2015 and 2016 are not expected to exceed RMB2,200 million and RMB2,200 million, respectively.

In 2014, no consideration was paid from us to CMCC or from CMCC to us under the 2013 Trademark License Agreement, the Spectrum and Numbering Resources Agreement, the Inter-Provincial Transmission Line Leasing Settlement Agreement and the Platform Development Agreement.

Item 8. Financial Information.

Consolidated Financial Statements

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

Legal Proceedings

We 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 2014 and having taken into account our long-term future development, our board of directors recommended payment of a final dividend of HK\$1.380 per share for the financial year ended December 31, 2014. This is in accordance with our dividend payout ratio of 43% planned for the full financial year of 2014. This, together with the interim dividend of HK\$1.540 per share that was paid, amounted to an aggregate dividend payment of HK\$2.920 per share for the full financial year of 2014.

In 2015, having taken into consideration various relevant factors, such as our overall financial condition, cash flow generating capabilities and future sustainable development needs, we plan that our dividend payout ratio for the full year of 2015 will be 43%.

Our board of directors believes that our favorable profitability and healthy cash flow generating capability will be able to provide sufficient support to our future development, while providing our shareholders with a favorable return.

Item 9. The Offer and Listing.

In connection with our initial public offering, our ADSs each representing twenty 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. 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, 2014 and March 31, 2015, there were 20,438,426,514 and 20,474,959,077, respectively, of our ordinary shares issued and outstanding. As of December 31, 2014 and March 31, 2015, there were, respectively, 488 and 486 registered holders of American depository receipts evidencing 104,797,045 and 102,758,253 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 depository for the ADSs is The Bank of New York Mellon.

The high and low closing sale prices of the shares on the Hong Kong Stock Exchange and of the ADSs on the New York Stock Exchange for the periods indicated are as follows.

	Price per Share (HK\$)		Price per ADS (US\$)	
	High	Low	High	Low
2010	84.30	71.95	54.40	46.27
2011	80.90	68.15	51.70	43.77
2012	92.55	75.05	59.30	48.62
2013				
First Quarter	91.45	80.35	59.53	52.20
Second Quarter	86.40	75.05	55.93	47.74
Third Quarter	88.30	78.40	57.40	51.03
Fourth Quarter	87.10	79.45	56.80	51.63
2014				
First Quarter	80.40	64.50	51.33	41.55
Second Quarter	78.15	69.05	50.68	44.77
Third Quarter	101.70	75.80	64.91	48.67
Fourth Quarter	97.00	87.75	63.17	56.82
October	96.50	88.10	62.09	56.99
November	97.00	93.75	63.17	60.77
December	95.05	87.75	61.41	56.82
2015				
January	104.50	88.75	67.32	56.70
February	108.30	102.00	69.47	66.62
March	104.80	97.90	67.40	63.44
First Quarter	108.30	88.75	69.47	56.70
April (through April 23)	115.90	101.40	74.41	65.32

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 Listing Rules of the Hong Kong Stock Exchange), 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 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.

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 before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

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 the 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.

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 financial year and at such place(s) as may be determined by the directors. All other general meetings are extraordinary general meetings. The directors may proceed to convene an extraordinary general meeting whenever they think fit, in accordance with the Companies Ordinance.

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

Miscellaneous

We keep our share register with our share registrar, which is Hong Kong Registrars Ltd., Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In addition, we also file certain documents with the Registrar of Companies, Hong Kong, China, in accordance with the requirements of the Companies Ordinance. Our company number is 622909.

Material Contracts

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

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 is subject to changes in PRC government policies and to international economic and political developments. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People’s Bank of China, which are set daily based on the previous business day’s inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to foreign currencies was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

There are no limitations on the right of non-resident or foreign owners to remit dividends or 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 — PRC

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 on 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 of 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.

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, 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 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 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 our voting stock;
- a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction;
- a person that purchases or sells ordinary shares or ADSs as part of a wash sale for 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 People's Republic of China 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 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;
- 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.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company rules discussed below, 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) 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 that are paid with respect to ADSs that are readily tradable on an established securities market in the United States are qualified dividend income. Under this rule, we expect that the 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, depending on your circumstances, will be either “passive” or “general” 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 of the tax withheld is available under PRC law, or to the extent that you could have avoided 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 will not be eligible for credit against your United States federal income tax liability.

Taxation of Capital Gains

Subject to the passive foreign investment company rules discussed below, 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 will not be a creditable tax for United States federal income tax purposes, but you may be able to deduct such stamp duty subject to limitations under the Code.

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 be treated as a passive foreign investment company, or PFIC, for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. 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 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).

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

If you own ordinary shares or ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service Form 8621.

Documents on Display

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

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

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to market rate risks due to fluctuations in interest rates. The majority of our debt is in the form of long-term loans with original maturities ranging up to fifteen years. Accordingly, fluctuations in interest rates can lead to significant fluctuations in the fair value of these debt instruments. 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 2014.

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, 2014, 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 interest rate-sensitive financial instruments, which consist of fixed and variable rate short-term and long-term debt obligations, as of the dates indicated.

	Expected Maturity Date						As of December 31, 2014		As of December 31, 2013	
	2015	2016	2017	2018	2019	Thereafter	Total Recorded Amount	Fair Value	Total Recorded Amount	Fair Value
(RMB equivalent in millions, except interest rates)										
Debt:										
Obligations under finance leases	68	—	—	—	—	—	68	68	68	68
Average interest rate	4.96%	—	—	—	—	—	4.96%	—	4.96%	—
Bonds	—	—	4,992	—	—	—	4,992	4,951	4,989	4,675
Average interest rate	—	—	4.50%	—	—	—	4.50%	—	4.50%	—

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, 2014		As of December 31, 2013	
	2015	2016	2017	2018	2019	Thereafter	Total Recorded Amount	Fair Value	Total Recorded Amount	Fair Value
(RMB equivalent in millions)										
On-balance sheet financial instruments										
Restricted bank deposits:										
in U.S. dollars	—	—	—	1	—	—	1	1	—	—
in Hong Kong dollars	695	—	39	—	—	—	734	734	157	157
Bank deposits:										
in U.S. dollars	279	—	—	—	—	—	279	279	270	270
in Hong Kong dollars	758	—	—	—	—	—	758	758	799	799
Cash and cash equivalents:										
in U.S. dollars	400	—	—	—	—	—	400	400	413	413
in Hong Kong dollars	3,559	—	—	—	—	—	3,559	3,559	1,559	1,559

Item 12. Description of Securities Other than Equity Securities.

The Bank of New York Mellon, located at 1 Wall Street, New York, New York 10286, USA as the depositary 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 depositary 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 depositary 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 depositary
- Taxes and other governmental charges the depositary 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 depositary 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 depositary, 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 2014 was US\$178,857.39, 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 2014 was US\$144,873.78.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

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

None.

Item 15. Controls and Procedures.

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

As of December 31, 2014, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2014, our disclosure controls and procedures were effective at a reasonable assurance level.

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

Management's Report on Internal Control Over Financial Reporting

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

As of December 31, 2014, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of the Company's internal control over financial reporting using criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, as stated in their report dated April 24, 2015 appearing on page F-2 of this annual report on Form 20-F.

/s/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive Officer

/s/ XUE Taohai

Name: XUE Taohai

Title: Executive Director, Vice President and Chief Financial Officer

Changes in Internal Control Over Financial Reporting. During 2014, 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, one of the members has many years of finance and commercial management experience and expertise. However, members of our audit committee do not possess direct experience or expertise in respect of the evaluation of reports filed with the SEC by SEC-reporting issuers. Our board of directors has determined that we do not currently have an audit committee financial expert, as defined in Item 16A(b) of Form 20-F, serving on our audit committee. Our audit committee may consider appointing, from time to time, an external financial expert as a consultant.

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, 2013, 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 2013 and 2014:

	<u>Audit Fees⁽¹⁾</u>	<u>Audit- Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees⁽²⁾</u>
	RMB	RMB	RMB	RMB
2013	85,000,000	—	1,000,000	6,000,000
2014	91,350,000	—	485,000	5,623,000

- (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 advisory service rendered in connection with the Sarbanes-Oxley Act of 2002, risk assessment and other information technology-related advisory services provided to us.

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 be independent non-executive directors as determined under the Hong Kong Listing Rules. We currently have four independent directors out of a total of nine 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 our Chairman should hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the presence of the executive directors.

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, principal financial officer, principal accounting officer or persons performing similar functions.

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

Item 16H. Mine Safety Disclosure.

Not applicable.

PART III

Item 17. Financial Statements.

Not applicable.

Item 18. Financial Statements.

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

China Mobile Limited:

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Item 19. Exhibits.

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

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1	Articles of Association (as amended).
2.1	We agree to provide the SEC, upon request, copies of instruments defining the rights of holders of our long-term debt.
2.2	Letter of Guarantee from China Mobile Communications Corporation for the RMB3,000 million guaranteed bonds due 2007 and RMB5,000 million guaranteed bonds due 2017, both issued by Guangdong Mobile in 2002 (with English translation). ⁽¹⁾
4.1	Agreement on Sharing of Administrative Services and Administrative Costs, dated April 27, 2004, between China Mobile Communication Co., Ltd. and China Mobile Communications Corporation (with English translation). ⁽²⁾
4.2	Agreement regarding Settlement of Interconnection and Roaming, Transmission Line Leasing, Usage of Spectrum Frequency and Numbering Resources, dated July 1, 2004, between China Mobile (Hong Kong) Limited and China Mobile Communications Corporation (with English translation). ⁽³⁾
4.3	Tripartite Agreement on the Transfer of Rights and Obligations Relating to the Interconnection and Settlement Arrangements, dated November 13, 2008, among China Mobile Communications Corporation, China Tietong Telecommunications Corporation and China Mobile Limited (with English translation). ⁽⁴⁾
4.4	TD-SCDMA Network Capacity Leasing Agreement, dated December 29, 2008, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁴⁾
4.5	Telecommunications Services Cooperation Agreement, dated November 6, 2009, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁵⁾
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). ⁽⁵⁾
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). ⁽⁶⁾
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). ⁽⁶⁾

- 4.9 Network Assets Leasing Agreement, dated August 18, 2011, between China Mobile Communications Corporation and China Mobile Limited (with English translation).⁽⁷⁾
- 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).⁽⁸⁾
- 4.11 Trademark License Agreement, dated January 1, 2013, between China Mobile Communications Corporation, China Mobile Limited and China Mobile Communications Limited (with English translation).⁽⁹⁾
- 4.12 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).⁽⁹⁾
- 4.13 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).⁽⁹⁾
- 4.14 Promoters' Agreement, dated July 11, 2014, between China Mobile Communication Co., Ltd., China United Network Communications Corporation Limited, and China Telecom Corporation Limited (with English translation).
- 8.1 List of Major Subsidiaries.
- 11.1 Code of Ethics.⁽²⁾
- 12.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 12.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 13.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b).
- 13.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b).

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- (1) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (File No. 1-14696), filed with the SEC on June 17, 2003.
 - (2) Incorporated by reference to 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.
 - (3) 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.
 - (4) 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.
 - (5) 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.
 - (6) 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.
 - (7) 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.
 - (8) 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.
 - (9) 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.

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/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive
Officer

Date: April 24, 2015

Exhibit Index

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1	Articles of Association (as amended).
2.1	We agree to provide the SEC, upon request, copies of instruments defining the rights of holders of our long-term debt.
2.2	Letter of Guarantee from China Mobile Communications Corporation for the RMB3,000 million guaranteed bonds due 2007 and RMB5,000 million guaranteed bonds due 2017, both issued by Guangdong Mobile in 2002 (with English translation). ⁽¹⁾
4.1	Agreement on Sharing of Administrative Services and Administrative Costs, dated April 27, 2004, between China Mobile Communication Co., Ltd. and China Mobile Communications Corporation (with English translation). ⁽²⁾
4.2	Agreement regarding Settlement of Interconnection and Roaming, Transmission Line Leasing, Usage of Spectrum Frequency and Numbering Resources, dated July 1, 2004, between China Mobile (Hong Kong) Limited and China Mobile Communications Corporation (with English translation). ⁽³⁾
4.3	Tripartite Agreement on the Transfer of Rights and Obligations Relating to the Interconnection and Settlement Arrangements, dated November 13, 2008, among China Mobile Communications Corporation, China Tietong Telecommunications Corporation and China Mobile Limited (with English translation). ⁽⁴⁾
4.4	TD-SCDMA Network Capacity Leasing Agreement, dated December 29, 2008, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁴⁾
4.5	Telecommunications Services Cooperation Agreement, dated November 6, 2009, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁵⁾
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). ⁽⁵⁾
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). ⁽⁶⁾
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). ⁽⁶⁾
4.9	Network Assets Leasing Agreement, dated August 18, 2011, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁷⁾
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). ⁽⁸⁾
4.11	Trademark License Agreement, dated January 1, 2013, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁹⁾
4.12	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). ⁽⁹⁾
4.13	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). ⁽⁹⁾

- 4.14 Promoters' Agreement, dated July 11, 2014, between China Mobile Communication Co., Ltd., China United Network Communications Corporation Limited, and China Telecom Corporation Limited (with English translation).
- 8.1 List of Major Subsidiaries.
- 11.1 Code of Ethics.⁽²⁾
- 12.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 12.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 13.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b).
- 13.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b).

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- (1) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (File No. 1-14696), filed with the SEC on June 17, 2003.
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Index to Consolidated Financial Statements

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Reports of Independent Registered Public Accounting Firms

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CHINA MOBILE LIMITED

In our opinion, the accompanying consolidated balance sheets as of December 31, 2013 and 2014 and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow for the years then ended present fairly, in all material respects, the financial position of China Mobile Limited and its subsidiaries (together, the “Group”) at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Group’s management is responsible for these 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 the Management’s Report on Internal Control Over Financial Reporting included in Item 15 of this Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Group’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 24, 2015

Report of Independent Registered Public Accounting Firm (Continued)

The Board of Directors and Shareholders of China Mobile Limited:

We have audited the accompanying consolidated statements of comprehensive income, changes in equity and cash flow of China Mobile Limited and its subsidiaries for the year ended December 31, 2012. These consolidated financial statements are the responsibility of the management of China Mobile Limited and its subsidiaries. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of China Mobile Limited and its subsidiaries for the year ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG

Hong Kong, China

March 14, 2013

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

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Operating revenue (Turnover)	4			
Revenue from telecommunications services		581,817	590,811	560,413
Revenue from sales of products and others		59,631	39,366	21,422
		<u>641,448</u>	<u>630,177</u>	<u>581,835</u>
Operating expenses				
Leased lines		21,083	18,727	9,909
Interconnection		23,389	25,998	25,140
Depreciation		116,225	104,699	100,848
Personnel	5	36,830	34,376	31,256
Selling expenses		75,781	91,834	80,232
Cost of products sold		74,464	61,363	41,448
Other operating expenses	6	176,342	157,531	140,272
		<u>524,114</u>	<u>494,528</u>	<u>429,105</u>
Profit from operations		117,334	135,649	152,730
Non-operating income, net	7	1,089	910	615
Interest income		16,149	15,289	12,661
Finance costs	8	(228)	(331)	(390)
Share of profit of associates	18	8,248	7,062	5,685
Share of loss of a joint venture		—	—	(1)
Profit before taxation		142,592	158,579	171,300
Taxation	11(a)	(33,187)	(36,776)	(41,919)
PROFIT FOR THE YEAR		109,405	121,803	129,381
Other comprehensive income/(loss) for the year that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of financial statements of overseas entities		(169)	(172)	(6)
Share of other comprehensive income/(loss) of associates		1,224	(767)	(16)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>110,460</u>	<u>120,864</u>	<u>129,359</u>

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

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Profit attributable to:				
Equity shareholders of the Company		109,279	121,692	129,274
Non-controlling interests		<u>126</u>	<u>111</u>	<u>107</u>
PROFIT FOR THE YEAR		<u><u>109,405</u></u>	<u><u>121,803</u></u>	<u><u>129,381</u></u>
Total comprehensive income attributable to:				
Equity shareholders of the Company		110,334	120,754	129,252
Non-controlling interests		<u>126</u>	<u>110</u>	<u>107</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>110,460</u></u>	<u><u>120,864</u></u>	<u><u>129,359</u></u>
Earnings per share – Basic	12(a)	<u>RMB 5.38</u>	<u>RMB 6.05</u>	<u>RMB 6.43</u>
Earnings per share – Diluted	12(b)	<u>RMB 5.35</u>	<u>RMB 5.98</u>	<u>RMB 6.36</u>

The notes on pages F-15 to F-83 are an integral part of these consolidated financial statements.

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

	<u>Note</u>	<u>As of December 31, 2014 Million</u>	<u>As of December 31, 2013 Million</u>
Non-current assets			
Property, plant and equipment	13	564,795	479,227
Construction in progress	14	93,341	85,000
Land lease prepayments and other prepayments	15	24,855	19,735
Goodwill	16	35,300	36,894
Other intangible assets		766	1,063
Interest in associates	18	70,444	53,940
Deferred tax assets	19	20,507	17,401
Restricted bank deposits	20	8,731	6,816
Other financial assets	21	127	127
		<u>818,866</u>	<u>700,203</u>
Current assets			
Inventories	22	9,130	9,152
Accounts receivable	23	16,340	13,907
Other receivables	24	14,398	11,649
Prepayments and other current assets	24	15,344	11,832
Amount due from ultimate holding company	25	112	94
Tax recoverable		702	647
Available-for-sale financial assets	26	2,000	—
Restricted bank deposits	20	695	—
Bank deposits	27	352,118	374,977
Cash and cash equivalents	28	66,744	44,931
		<u>477,583</u>	<u>467,189</u>
Current liabilities			
Accounts payable	29	223,503	173,157
Bills payable		674	1,360
Deferred revenue	30	62,615	61,789
Accrued expenses and other payables	31	134,725	125,811
Amount due to ultimate holding company	25	4,271	22
Obligations under finance leases		68	68
Current taxation		6,020	8,706
		<u>431,876</u>	<u>370,913</u>
Net current assets		<u>45,707</u>	<u>96,276</u>
Total assets less current liabilities carried forward		<u>864,573</u>	<u>796,479</u>

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

	<i>Note</i>	<i>As of December 31, 2014 Million</i>	<i>As of December 31, 2013 Million</i>
Total assets less current liabilities brought forward		<u>864,573</u>	<u>796,479</u>
Non-current liabilities			
Interest-bearing borrowings	32	(4,992)	(4,989)
Deferred revenue, excluding current portion	30	(840)	(662)
Deferred tax liabilities	19	(98)	(104)
		<u>(5,930)</u>	<u>(5,755)</u>
NET ASSETS		<u>858,643</u>	<u>790,724</u>
CAPITAL AND RESERVES			
Share capital	34(b)	400,737	2,142
Reserves		<u>455,839</u>	<u>786,631</u>
Total equity attributable to equity shareholders of the Company		856,576	788,773
Non-controlling interests		<u>2,067</u>	<u>1,951</u>
TOTAL EQUITY		<u>858,643</u>	<u>790,724</u>

The notes on pages F-15 to F-83 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							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	General reserve	Exchange reserve	PRC statutory reserves	Retained profits			
	Million	Million	Million	Million	Million	Million	Million	Million	Million	
As of January 1, 2012	2,140	386,629	(292,227)	72	(1,483)	179,236	374,697	649,064	1,355	650,419
Changes in equity for 2012:										
Profit for the year	—	—	—	—	—	—	129,274	129,274	107	129,381
Other comprehensive loss	—	—	(16)	—	(6)	—	—	(22)	—	(22)
Total comprehensive (loss)/income for the year	—	—	(16)	—	(6)	—	129,274	129,252	107	129,359
Dividends approved in respect of previous year (note 34(a)(ii))	—	—	—	—	—	—	(28,583)	(28,583)	—	(28,583)
Dividends declared in respect of the current year (note 34(a)(i))	—	—	—	—	—	—	(26,842)	(26,842)	—	(26,842)
Shares issued under share option scheme	2	554	(25)	—	—	—	—	531	—	531
Transfer to PRC statutory reserves (note 34(c)(iii))	—	—	—	—	—	32,374	(32,349)	25	—	25
Non-controlling interests of a new subsidiary	—	—	—	—	—	—	—	—	400	400
As of December 31, 2012	<u>2,142</u>	<u>387,183</u>	<u>(292,268)</u>	<u>72</u>	<u>(1,489)</u>	<u>211,610</u>	<u>416,197</u>	<u>723,447</u>	<u>1,862</u>	<u>725,309</u>

The notes on pages F-15 to F-83 are an integral part of these consolidated financial statements.

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

	Attributable to equity shareholders of the Company							Total Million	Non- controlling interests Million	Total equity Million
	Share capital Million	Share premium Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million			
As of January 1, 2013	2,142	387,183	(292,268)	72	(1,489)	211,610	416,197	723,447	1,862	725,309
Changes in equity for 2013:										
Profit for the year	—	—	—	—	—	—	121,692	121,692	111	121,803
Other comprehensive loss	—	—	(767)	—	(171)	—	—	(938)	(1)	(939)
Total comprehensive (loss)/income for the year	—	—	(767)	—	(171)	—	121,692	120,754	110	120,864
Dividends approved in respect of previous year (note 34(a)(ii))	—	—	—	—	—	—	(28,460)	(28,460)	(21)	(28,481)
Dividends declared in respect of the current year (note 34(a)(i))	—	—	—	—	—	—	(27,031)	(27,031)	—	(27,031)
Shares issued under share option scheme	—	60	(17)	—	—	—	—	43	—	43
Transfer to PRC statutory reserves (note 34(c)(iii))	—	—	—	—	—	24,139	(24,119)	20	—	20
Others	—	—	—	—	1,060	—	(1,060)	—	—	—
As of December 31, 2013	<u>2,142</u>	<u>387,243</u>	<u>(293,052)</u>	<u>72</u>	<u>(600)</u>	<u>235,749</u>	<u>457,219</u>	<u>788,773</u>	<u>1,951</u>	<u>790,724</u>

The notes on pages F-15 to F-83 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							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	General reserve	Exchange reserve	PRC statutory reserves	Retained profits			
	Million	Million	Million	Million	Million	Million	Million			
As of January 1, 2014	2,142	387,243	(293,052)	72	(600)	235,749	457,219	788,773	1,951	790,724
Changes in equity for 2014:										
Profit for the year	—	—	—	—	—	—	109,279	109,279	126	109,405
Other comprehensive income/(loss)	—	—	1,224	—	(169)	—	—	1,055	—	1,055
Total comprehensive income/(loss) for the year	—	—	1,224	—	(169)	—	109,279	110,334	126	110,460
Dividends approved in respect of previous year (note 34(a)(ii))	—	—	—	—	—	—	(26,044)	(26,044)	(10)	(26,054)
Dividends declared in respect of current year (note 34(a)(i))	—	—	—	—	—	—	(24,880)	(24,880)	—	(24,880)
Shares issued under share option scheme (note 34(b)(iii))	9,279	2,073	(3,137)	—	—	—	—	8,215	—	8,215
Transfer to PRC statutory reserves (note 34(c)(iii))	—	—	—	—	—	23,169	(22,991)	178	—	178
Transfer between reserves upon expiry of options (note 33(b))	—	—	(27)	—	—	—	27	—	—	—
Transition to no-par value regime (note 34(b)(ii))	389,316	(389,316)	—	—	—	—	—	—	—	—
Others	—	—	—	—	8	—	(8)	—	—	—
As of December 31, 2014	<u>400,737</u>	<u>—</u>	<u>(294,992)</u>	<u>72</u>	<u>(761)</u>	<u>258,918</u>	<u>492,602</u>	<u>856,576</u>	<u>2,067</u>	<u>858,643</u>

The notes on pages F-15 to F-83 are an integral part of these consolidated financial statements.

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

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Operating activities				
Profit before taxation		142,592	158,579	171,300
Adjustments for:				
- Depreciation of property, plant and equipment		116,225	104,699	100,848
- Amortization of other intangible assets	6	106	78	68
- Amortization of land lease prepayments	15	406	385	346
- (Gain)/loss on disposal of property, plant and equipment	6	—	(3)	1
- Write-off of property, plant and equipment	6	2,093	2,074	2,818
- Impairment loss of doubtful accounts	6	5,494	5,084	4,504
- Write-down of inventories	6	293	202	313
- Interest income		(16,149)	(15,289)	(12,661)
- Finance costs	8	228	331	390
- Dividend income from unlisted securities	7	—	(34)	(11)
- Share of profit of associates		(8,248)	(7,062)	(5,685)
- Share of loss of a joint venture		—	—	1
- Unrealized exchange loss/(gain), net		81	(59)	(17)
- Loss on disposal of a subsidiary		—	18	—
- Impairment loss of goodwill	6	1,594	—	—
Operating cashflow before changes in working capital		244,715	249,003	262,215
(Increase)/decrease in inventories		(271)	(2,156)	436
Increase in accounts receivable		(7,927)	(7,273)	(7,063)
(Increase)/decrease in other receivables		(992)	(148)	82
Increase in prepayments and other current assets		(8,008)	(2,189)	(3,403)
(Increase)/decrease in amount due from ultimate holding company		(18)	8	68
Increase in accounts payable		8,384	5,372	5,443
(Decrease)/increase in bills payable		(144)	(563)	20
Increase in deferred revenue		1,160	4,129	6,308
Increase in accrued expenses and other payables		8,914	22,041	11,432
Increase/(decrease) in amount due to ultimate holding company		4,249	(17)	(246)
Cash generated from operations		250,062	268,207	275,292
Tax paid				
- Hong Kong profits tax paid		(269)	(26)	(100)
- PRC enterprise income tax paid		(38,771)	(43,196)	(44,483)
Net cash generated from operating activities carried forward		<u>211,022</u>	<u>224,985</u>	<u>230,709</u>

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

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Net cash generated from operating activities brought forward		211,022	224,985	230,709
Investing activities				
Capital expenditure		(170,776)	(138,997)	(123,232)
Land lease prepayments		(1,030)	(1,044)	(1,792)
Acquisition of other intangible assets		(23)	(355)	(174)
Proceeds from disposal of property, plant and equipment		1	44	6
Decrease/(increase) in bank deposits		22,859	(42,980)	(85,310)
Increase in restricted bank deposits		(2,610)	(1,398)	(5,264)
Cash receipt from repayment of entrusted loan		—	—	14,000
Interest received		14,392	12,392	9,459
Proceeds from disposal of a joint venture		—	6	—
Proceeds from disposal of a subsidiary		—	124	—
Acquisition of interest in associates	18	(9,508)	(1,363)	—
Dividends received from associates	18	2,476	2,062	1,120
Dividends received from unlisted securities		—	34	11
Purchase of available-for-sale financial assets		(2,000)	—	—
Net cash used in investing activities		<u>(146,219)</u>	<u>(171,475)</u>	<u>(191,176)</u>
Financing activities				
Proceeds from issuance of shares under share option scheme	34(b)(iii)	8,215	43	531
Capital injection from non-controlling interests of a subsidiary		—	—	400
Interest paid		(225)	(329)	(403)
Dividends paid to the Company's equity shareholders	34(a)	(50,924)	(55,491)	(55,425)
Dividend paid to non-controlling shareholders of a subsidiary		(10)	(21)	—
Repayment of deferred considerations		—	(23,633)	—
Net cash used in financing activities		<u>(42,944)</u>	<u>(79,431)</u>	<u>(54,897)</u>
Net increase/(decrease) in cash and cash equivalents		21,859	(25,921)	(15,364)
Cash and cash equivalents at beginning of year		44,931	70,906	86,259
Effect of changes in foreign exchange rate		(46)	(54)	11
Cash and cash equivalents at end of year	28	<u>66,744</u>	<u>44,931</u>	<u>70,906</u>

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

Significant non-cash transactions

The Group recorded payables of RMB119,172,000,000 (2013: RMB98,992,000,000; 2012: RMB54,816,000,000) to equipment suppliers as of December 31, 2014 for additions of construction in progress during the year then ended.

The notes on pages F-15 to F-83 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 mobile telecommunications and related services in Mainland China and in Hong Kong (For the purpose of preparing these consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan). The Company’s ultimate holding company is China Mobile Communications Corporation (“CMCC”). The address of the Company’s registered office is 60th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “HKEx”) on October 23, 1997 and the American Depositary Shares of the Company were listed on the New York Stock Exchange on 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.

(b) Basis of preparation

The consolidated financial statements comprise the Group and the Group’s interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

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

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 Company.

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)

(d) Associates

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.

An investment in an associate is accounted for 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 share of profit or loss of associates 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 other comprehensive income in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, 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 associate.

Unrealized profits and losses resulting from transactions between the Group and its associates 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 would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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 that are acquired by the Group are stated in the balance sheet 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 other operating expenses 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) Other financial assets

Other financial assets represent investments in unquoted equity securities (other than investments in subsidiaries and interest in associates), which are recognized in the balance sheet at cost less impairment losses (see note 2(j)) when those investments in equity securities do not have a quoted market price in an active market and their fair value cannot be reliably measured.

(h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets

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(h). 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. There were no contingent rentals recognized by the Group during the years presented.

(iii) 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 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. There were no contingent rentals recognized by the Group during the years presented.

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 assets

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables

Investments in equity securities (other than investments in subsidiaries), available-for-sale financial assets and receivables are reviewed at the end of each reporting date 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
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For interest in associates recognized using the equity method (see note 2(d)), 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 favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).
- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables (Continued)

- 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 removed 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 removed 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 and other financial assets 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)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables (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.

(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 intangible assets with indefinite useful lives, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- prepaid interests in leasehold land classified as being held under an operating lease;
- investments in subsidiaries;
- goodwill; and
- other intangible assets.

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 greater of its fair value less costs of disposal and 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. 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 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 value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(k) 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 until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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. No reversal of any write-down of inventories occurred during the years presented.

(m) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method less allowance for impairment loss (see note 2(j)), except where the effect of discounting would be immaterial.

(n) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of available-for-sale financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). The investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income.

Available-for-sale financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Available-for-sale financial assets (Continued)

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in equity is removed and recognized in profit or loss.

Interest on available-for-sale debt instruments calculated using the effective interest method is recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

(o) Deferred revenue

Deferred revenue consists primarily of 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", see note 2(s)(iv)).

The prepaid service fees are stated at the amount of proceeds received less the amount already recognized as revenue.

(p) 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.

(q) Accounts payable and other payables

Accounts payable and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial.

(r) Cash and cash equivalents

Cash and cash equivalents comprise 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

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 discounted 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 recorded as deferred revenue when the rewards are granted and recognized as revenue when the points are redeemed or expired.

(t) Interest income

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

(u) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

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.

(v) 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.

(w) 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)

(w) 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 (“MPF”) Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014, and HK\$20,000 prior to June 2012). 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-retirement 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)

(w) 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 (share premium account before March 3, 2014, see note 34(b)(ii))) or the option expires (when it is released directly to retained profits).

(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.

(x) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies

The functional currency of major entities within the Group is Renminbi (“RMB”). The Group adopted RMB as its presentation currency in the preparation of the financial statements, which is the currency of the primary economic environment in which most of the Group’s entities operate.

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 exchange 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 exchange differences relating to that particular foreign operation is reclassified from equity to profit or loss.

For the purpose of the consolidated statements of cash flow, the cash flows of overseas entities within the Group are translated into RMB by using the exchange rates approximating the foreign exchange rate ruling at the dates of the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

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

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted certain new and amended IFRS effective for accounting period beginning on January 1, 2014. Details of the adoption are as follows:

Amendment to IAS 32, "Financial Instruments: Presentation"
IFRIC – Int 21, "Levies"

The adoption of the above new and amended standards did not have any material impact on the Group's financial statements. The Group did not apply any other amendments, new standards or interpretation that is not yet effective for the current accounting year (see note 40).

4 OPERATING REVENUE (TURNOVER)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	Million	Million	Million
Revenue from telecommunications services			
Voice services	308,959	355,686	368,025
Data services	253,088	206,886	166,348
Others	19,770	28,239	26,040
	<u>581,817</u>	<u>590,811</u>	<u>560,413</u>
Revenue from sales of products and others	<u>59,631</u>	<u>39,366</u>	<u>21,422</u>
	<u>641,448</u>	<u>630,177</u>	<u>581,835</u>

On April 29, 2014, a notification (the “Cai Shui [2014] No. 43”) was jointly issued by the Ministry of Finance and the State Administration of Taxation of the People’s Republic of China (“SAT”), and as approved by the State Council of the People’s Republic of China, the telecommunications industry would be included in the scope of the pilot program for the transformation from business tax to value-added tax (the “VAT Program”) from June 1, 2014. According to the Cai Shui [2014] No. 43, the value-added tax rates for the provision of basic telecommunications services and value-added telecommunications services are 11% and 6%, respectively. With the implementation of the VAT Program from June 1, 2014, the Group is not required to pay the business tax of 3% on the telecommunications services.

5 PERSONNEL

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	Million	Million	Million
Salaries, wages and other benefits	31,740	30,066	27,573
Retirement costs: contributions to defined contribution retirement plans	<u>5,090</u>	<u>4,310</u>	<u>3,683</u>
	<u>36,830</u>	<u>34,376</u>	<u>31,256</u>

6 OTHER OPERATING EXPENSES

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Maintenance		52,450	46,059	39,184
Impairment loss of doubtful accounts		5,494	5,084	4,504
Impairment loss of goodwill (note 16)		1,594	—	—
Write-down of inventories		293	202	313
Amortization of other intangible assets		106	78	68
Operating lease charges				
- land and buildings		12,471	10,784	9,367
- others	(i)	4,755	3,808	3,385
(Gain)/loss on disposal of property, plant and equipment		—	(3)	1
Write-off of property, plant and equipment		2,093	2,074	2,818
Auditors' remuneration				
- audit services	(ii)	91	85	87
- tax services		—	1	2
- other services		6	6	12
Others	(iii)	96,989	89,353	80,531
		<u>176,342</u>	<u>157,531</u>	<u>140,272</u>

Note:

- (i) Other operating lease charges represent the operating lease charges for motor vehicles, computer and other office equipment.
- (ii) Audit services include reporting on the Group's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America of RMB20,000,000 (2013: RMB18,000,000; 2012: RMB19,000,000).
- (iii) Others consist of office expenses, utilities charges, travelling expenses, entertainment expenses, spectrum charges, consultancy and professional fees, consumables and supplies, labour service expenses and other miscellaneous expenses.

7 NON-OPERATING INCOME, NET

	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Penalty income	507	405	256
Dividend income from unlisted securities	—	34	11
Others	<u>582</u>	<u>471</u>	<u>348</u>
	<u>1,089</u>	<u>910</u>	<u>615</u>

8 FINANCE COSTS

	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Interest on bank loans and other borrowings repayable within five years	—	104	1
Interest on bank loans and other borrowings repayable after five years	—	—	162
Interest on bonds	<u>228</u>	<u>227</u>	<u>227</u>
	<u>228</u>	<u>331</u>	<u>390</u>

9 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

<i>(Expressed in Hong Kong dollar)</i>	<i>Directors' fees</i>	<i>Salaries, allowances and benefits in kind</i>	<i>Performance related bonuses</i>	<i>Retirement scheme contributions</i>	<i>2014 Total</i>
	'000	'000	'000	'000	'000
Executive directors					
XI Guohua	180	1,174	565	256	2,175
LI Yue (Chief Executive Officer)	180	1,067	513	234	1,994
XUE Taohai	180	960	462	210	1,812
HUANG Wenlin*	180	960	462	210	1,812
SHA Yuejia	180	960	462	210	1,812
LIU Aili	180	960	462	210	1,812

Independent non-executive directors

LO Ka Shui	325	—	—	—	325
WONG Kwong Shing, Frank	470	—	—	—	470
CHENG Mo Chi, Moses	440	—	—	—	440
CHOW Man Yiu, Paul	330	—	—	—	330
	<u>2,645</u>	<u>6,081</u>	<u>2,926</u>	<u>1,330</u>	<u>12,982</u>

<i>(Expressed in Hong Kong dollar)</i>	<i>Directors' fees</i>	<i>Salaries, allowances and benefits in kind</i>	<i>Performance related bonuses</i>	<i>Retirement scheme contributions</i>	<i>2013 Total</i>
	'000	'000	'000	'000	'000
Executive directors					
XI Guohua	180	1,174	634	287	2,275
LI Yue (Chief Executive Officer)	180	1,067	577	263	2,087
XUE Taohai	180	960	520	237	1,897
HUANG Wenlin	180	960	520	237	1,897
SHA Yuejia	180	960	520	236	1,896
LIU Aili	180	960	520	236	1,896

Independent non-executive directors

LO Ka Shui	399	—	—	—	399
WONG Kwong Shing, Frank	458	—	—	—	458
CHENG Mo Chi, Moses	440	—	—	—	440
CHOW Man Yiu, Paul**	194	—	—	—	194
	<u>2,571</u>	<u>6,081</u>	<u>3,291</u>	<u>1,496</u>	<u>13,439</u>

9 DIRECTORS' REMUNERATION (CONTINUED)

Directors' remuneration is as follows (Continued):

<i>(Expressed in Hong Kong dollar)</i>	<i>Directors' fees</i> <u>'000</u>	<i>Salaries, allowances and benefits in kind</i> <u>'000</u>	<i>Performance related bonuses</i> <u>'000</u>	<i>Retirement scheme contributions</i> <u>'000</u>	<i>2012 Total</i> <u>'000</u>
Executive directors					
XI Guohua***	180	1,152	660	282	2,274
WANG Jianzhou****	40	242	146	83	511
LI Yue	180	1,067	600	262	2,109
LU Xiangdong****	37	181	—	39	257
XUE Taohai	180	960	540	237	1,917
HUANG Wenlin	180	960	540	237	1,917
SHA Yuejia	180	960	540	236	1,916
LIU Aili	180	960	540	236	1,916
XIN Fanfei****	40	198	119	75	432
XU Long****	171	903	514	221	1,809
Independent non-executive directors					
LO Ka Shui	505	—	—	—	505
WONG Kwong Shing, Frank	440	—	—	—	440
CHENG Mo Chi, Moses	440	—	—	—	440
	<u>2,753</u>	<u>7,583</u>	<u>4,199</u>	<u>1,908</u>	<u>16,443</u>

* Madam HUANG Wenlin resigned from the position as Executive Director of the Company with effect from March 19, 2015.

** Mr. Paul CHOW Man Yiu has been appointed as an Independent Non-executive Director of the Company with effect from May 30, 2013.

*** Mr. XI Guohua was re-designated from Vice-Chairman to Chairman of the Company in March 2012.

**** Mr. WANG Jianzhou resigned as an Executive Director and the Chairman of the Company, Mr. LU Xiangdong resigned as an Executive Director and a Vice President of the Company and Madam XIN Fanfei resigned as an Executive Director and a Vice President of the Company in March 2012. Mr. XU Long resigned as an Executive Director of the Company in December 2012.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended December 31, 2012, 2013 and 2014, all of the five individuals with the highest emoluments are directors whose emoluments are disclosed in note 9.

11 TAXATION

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

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Current tax				
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(i)	106	167	191
Provision for the PRC enterprise income tax on the estimated taxable profits for the year	(ii)	<u>36,193</u>	<u>40,412</u>	<u>44,325</u>
		36,299	40,579	44,516
Deferred tax				
Origination and reversal of temporary differences (note 19)	(iii)	<u>(3,112)</u>	<u>(3,803)</u>	<u>(2,597)</u>
		<u>33,187</u>	<u>36,776</u>	<u>41,919</u>

Note:

- (i) The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%; 2012: 16.5%) of the estimated assessable profits for the year ended December 31, 2014.
- (ii) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2013: 25%; 2012: 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, 2014. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2013: 15%; 2012: 15%).
- (iii) Deferred taxes of the Group are recognized based on tax rates that are expected to apply to the periods when the temporary differences are realized or settled.
- (iv) On April 22, 2009, SAT issued the "Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management" ("2009 Notice"). The Company is qualified as a PRC offshore-registered resident enterprise for purposes of the 2009 Notice. In accordance with the 2009 Notice and the PRC enterprise income tax law, the dividend income of the Company from its subsidiaries in the PRC is exempted from PRC enterprise income tax.

11 TAXATION (CONTINUED)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	Million	Million	Million
Profit before taxation	<u>142,592</u>	<u>158,579</u>	<u>171,300</u>
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (Note)	35,648	39,645	42,825
Tax effect of non-taxable items			
- Share of profit of associates	(2,062)	(1,766)	(1,421)
- Interest income	(26)	(31)	(23)
Tax effect of non-deductible expenses on the PRC operations	693	548	970
Tax effect of non-deductible expenses on Hong Kong operations	46	54	82
Rate differential of certain PRC operations (note 11(a)(ii))	(1,329)	(1,243)	(175)
Rate differential on Hong Kong operations	(107)	(95)	(114)
Tax credit on purchase of domestic telecommunications equipment	—	(9)	(64)
Tax effect of goodwill impairment loss	398	—	—
Others	<u>(74)</u>	<u>(327)</u>	<u>(161)</u>
Taxation	<u>33,187</u>	<u>36,776</u>	<u>41,919</u>

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

12 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 RMB109,279,000,000 (2013: RMB121,692,000,000; 2012: RMB129,274,000,000) and the weighted average number of 20,293,253,516 shares (2013: 20,101,232,387 shares; 2012: 20,090,824,422 shares) in issue during the year, calculated as follows:

Weighted average number of shares

	<u>2014</u> <i>Number of shares</i>	<u>2013</u> <i>Number of shares</i>	<u>2012</u> <i>Number of shares</i>
Issued shares as of January 1	20,102,539,665	20,100,340,600	20,072,065,571
Effect of share options exercised	<u>190,713,851</u>	<u>891,787</u>	<u>18,758,851</u>
Weighted average number of shares in issue during the year	<u>20,293,253,516</u>	<u>20,101,232,387</u>	<u>20,090,824,422</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB109,279,000,000 (2013: RMB121,692,000,000; 2012: RMB129,274,000,000) and the weighted average number of 20,408,441,343 shares (2013: 20,343,120,320 shares; 2012: 20,341,515,930 shares), calculated as follows:

Weighted average number of shares (diluted)

	<u>2014</u> <i>Number of shares</i>	<u>2013</u> <i>Number of shares</i>	<u>2012</u> <i>Number of shares</i>
Weighted average number of shares in issue during the year	20,293,253,516	20,101,232,387	20,090,824,422
Dilutive equivalent shares arising from share options	<u>115,187,827</u>	<u>241,887,933</u>	<u>250,691,508</u>
Weighted average number of shares (diluted) during the year	<u>20,408,441,343</u>	<u>20,343,120,320</u>	<u>20,341,515,930</u>

13 PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u> Million	<i>Telecommunications transceivers, switching centers, transmission and other network equipment</i> Million	<i>Office equipment, furniture, fixtures and others</i> Million	<u>Total</u> Million
Cost:				
As of January 1, 2013	109,208	831,329	18,683	959,220
Additions	1,371	1,300	805	3,476
Transferred from construction in progress	15,977	133,168	2,976	152,121
Disposals	—	(125)	(80)	(205)
Assets written-off	(344)	(37,962)	(3,033)	(41,339)
Exchange differences	(7)	(76)	(17)	(100)
As of December 31, 2013	<u>126,205</u>	<u>927,634</u>	<u>19,334</u>	<u>1,073,173</u>
As of January 1, 2014	126,205	927,634	19,334	1,073,173
Additions	176	792	822	1,790
Transferred from construction in progress	13,881	186,401	1,841	202,123
Disposals	—	(7)	(10)	(17)
Assets written-off	(417)	(40,237)	(1,376)	(42,030)
Exchange differences	6	10	—	16
As of December 31, 2014	<u>139,851</u>	<u>1,074,593</u>	<u>20,611</u>	<u>1,235,055</u>
Accumulated depreciation:				
As of January 1, 2013	27,456	489,574	11,681	528,711
Charge for the year	6,166	95,567	3,003	104,736
Written back on disposals	—	(120)	(44)	(164)
Assets written-off	(291)	(36,272)	(2,702)	(39,265)
Exchange differences	(6)	(59)	(7)	(72)
As of December 31, 2013	<u>33,325</u>	<u>548,690</u>	<u>11,931</u>	<u>593,946</u>
As of January 1, 2014	33,325	548,690	11,931	593,946
Charge for the year	5,849	107,878	2,532	116,259
Written back on disposals	—	(7)	(9)	(16)
Assets written-off	(381)	(38,291)	(1,265)	(39,937)
Exchange differences	3	5	—	8
As of December 31, 2014	<u>38,796</u>	<u>618,275</u>	<u>13,189</u>	<u>670,260</u>
Net book value:				
As of December 31, 2014	<u>101,055</u>	<u>456,318</u>	<u>7,422</u>	<u>564,795</u>
As of December 31, 2013	<u>92,880</u>	<u>378,944</u>	<u>7,403</u>	<u>479,227</u>

Write-off of property, plant and equipment mainly represents the retirement of individual network asset due to obsolescence or damages. Such assets have been disconnected from existing network, abandoned or demolished. Total net book value of such assets written off was RMB2,093,000,000 in 2014 (2013: RMB2,074,000,000; 2012: RMB2,818,000,000). These assets were disposed at scrap value.

14 CONSTRUCTION IN PROGRESS

	<u>2014</u> Million	<u>2013</u> Million
As of January 1	85,000	55,507
Additions	210,464	181,614
Transferred to property, plant and equipment	<u>(202,123)</u>	<u>(152,121)</u>
As of December 31	<u>93,341</u>	<u>85,000</u>

Construction in progress primarily comprises expenditure incurred on the network expansion projects not yet completed as of December 31, 2014.

15 LAND LEASE PREPAYMENTS AND OTHER PREPAYMENTS

The Group's land lease prepayments represent prepaid operating lease payments for land use rights in Mainland China and majority of the land lease prepayments are medium-term lease with remaining lease term less than 50 years but not less than 10 years as of balance sheet dates.

For the year ended December 31, 2014, the land lease prepayments expensed in the profit or loss amounted to approximately RMB406,000,000 (2013: approximately RMB385,000,000; 2012: approximately RMB346,000,000).

16 GOODWILL

	<u>2014</u> Million	<u>2013</u> Million
Cost and carrying amount:		
As of January 1	36,894	36,894
Impairment	<u>(1,594)</u>	<u>—</u>
As of December 31	<u>35,300</u>	<u>36,894</u>

Impairment tests for goodwill

As set out in IAS 36 “Impairment of Assets”, a cash-generating unit is the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets or groups of assets. For the purpose of impairment tests of goodwill, goodwill is allocated to groups of cash-generating units (being subsidiaries acquired in each acquisition). Such groups of cash-generating units represent the lowest level within the Group for which the goodwill is monitored for internal management purposes.

Among the goodwill as of December 31, 2014, RMB35,300,000,000 (2013: RMB35,300,000,000) and RMB nil (2013: RMB1,594,000,000) are attributable to the groups of cash-generating units in relation to the operations in Mainland China and Hong Kong respectively, which management currently monitors. The recoverable amounts of these groups of cash-generating units are determined based on the greater of its fair value less costs of disposal and value-in-use. Value-in-use is calculated by using the discounted cash flow method. This method considers the pre-tax cash flows of the subsidiaries (cash-generating units) for the five years ending December 31, 2019 with subsequent transition to perpetuity. For the five years ending December 31, 2019, the average growth rates are assumed 1.5% and 2.4% for the operations in Mainland China and Hong Kong, respectively. For the years beyond December 31, 2019, the assumed continual growth rates to perpetuity of 1% and 0.5% are used for the operations in Mainland China and Hong Kong, respectively. The present value of cash flows are calculated by discounting the cash flow using pre-tax interest rates of approximately 12% and 13% for the operations in Mainland China and Hong Kong, respectively. 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. For the operations in Hong Kong, with the development of the 4th generation mobile communication technology (“4G”) business in Hong Kong during the year ended December 31, 2014, the competition in Hong Kong telecommunication market has become increasingly fierce. The management anticipates more pressure on the operating performance in future considering the necessity of investment in capital expenditure and increased marketing expenses to sustain the development of business. Based on the impairment test result, the management has made a provision for impairment loss of goodwill amounting to RMB1,594,000,000 in relation to the operation in Hong Kong as of December 31, 2014.

17 PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries as of December 31, 2014, which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
			<i>Held by the Company</i>	<i>Held by a subsidiary</i>	
China Mobile Communication (BVI) Limited	British Virgin Islands (“BVI”)	HK\$1	100%	—	Investment holding company
China Mobile Communication Co., Ltd. (“CMC”)**	PRC	RMB1,641,848,326	—	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. (“Guangdong Mobile”)	PRC	RMB5,594,840,700	—	100%	Mobile telecommunications operator
China Mobile Group Zhejiang Co., Ltd.	PRC	RMB2,117,790,000	—	100%	Mobile telecommunications operator
China Mobile Group Jiangsu Co., Ltd.	PRC	RMB2,800,000,000	—	100%	Mobile telecommunications operator
China Mobile Group Fujian Co., Ltd.	PRC	RMB5,247,480,000	—	100%	Mobile telecommunications operator
China Mobile Group Henan Co., Ltd.	PRC	RMB4,367,733,641	—	100%	Mobile telecommunications operator
China Mobile Group Hainan Co., Ltd.	PRC	RMB643,000,000	—	100%	Mobile telecommunications operator
China Mobile Group Beijing Co., Ltd. (“Beijing Mobile”)	PRC	RMB6,124,696,053	—	100%	Mobile telecommunications operator
China Mobile Group Shanghai Co., Ltd.	PRC	RMB6,038,667,706	—	100%	Mobile telecommunications operator
China Mobile Group Tianjin Co., Ltd.	PRC	RMB2,151,035,483	—	100%	Mobile telecommunications operator
China Mobile Group Hebei Co., Ltd.	PRC	RMB4,314,668,600	—	100%	Mobile telecommunications operator
China Mobile Group Liaoning Co., Ltd.	PRC	RMB5,140,126,680	—	100%	Mobile telecommunications operator
China Mobile Group Shandong Co., Ltd.	PRC	RMB6,341,851,146	—	100%	Mobile telecommunications operator
China Mobile Group Guangxi Co., Ltd.	PRC	RMB2,340,750,100	—	100%	Mobile telecommunications operator
China Mobile Group Anhui Co., Ltd.	PRC	RMB4,099,495,494	—	100%	Mobile telecommunications operator
China Mobile Group Jiangxi Co., Ltd.	PRC	RMB2,932,824,234	—	100%	Mobile telecommunications operator
China Mobile Group Chongqing Co., Ltd.	PRC	RMB3,029,645,401	—	100%	Mobile telecommunications operator
China Mobile Group Sichuan Co., Ltd.	PRC	RMB7,483,625,572	—	100%	Mobile telecommunications operator

17 PRINCIPAL SUBSIDIARIES (CONTINUED)

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
			<i>Held by the Company</i>	<i>Held by a subsidiary</i>	
China Mobile Group Hubei Co., Ltd.	PRC	RMB3,961,279,556	—	100%	Mobile telecommunications operator
China Mobile Group Hunan Co., Ltd.	PRC	RMB4,015,668,593	—	100%	Mobile telecommunications operator
China Mobile Group Shaanxi Co., Ltd.	PRC	RMB3,171,267,431	—	100%	Mobile telecommunications operator
China Mobile Group Shanxi Co., Ltd.	PRC	RMB2,773,448,313	—	100%	Mobile telecommunications operator
China Mobile Group Neimenggu Co., Ltd.	PRC	RMB2,862,621,870	—	100%	Mobile telecommunications operator
China Mobile Group Jilin Co., Ltd.	PRC	RMB3,277,579,314	—	100%	Mobile telecommunications operator
China Mobile Group Heilongjiang Co., Ltd.	PRC	RMB4,500,508,035	—	100%	Mobile telecommunications operator
China Mobile Group Guizhou Co., Ltd.	PRC	RMB2,541,981,749	—	100%	Mobile telecommunications operator
China Mobile Group Yunnan Co., Ltd.	PRC	RMB4,137,130,733	—	100%	Mobile telecommunications operator
China Mobile Group Xizang Co., Ltd.	PRC	RMB848,643,686	—	100%	Mobile telecommunications operator
China Mobile Group Gansu Co., Ltd.	PRC	RMB1,702,599,589	—	100%	Mobile telecommunications operator
China Mobile Group Qinghai Co., Ltd.	PRC	RMB902,564,911	—	100%	Mobile telecommunications operator
China Mobile Group Ningxia Co., Ltd.	PRC	RMB740,447,232	—	100%	Mobile telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	PRC	RMB2,581,599,600	—	100%	Mobile telecommunications operator
China Mobile Group Design Institute Co., Ltd.	PRC	RMB160,232,500	—	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited**	PRC	US\$30,000,000	100%	—	Investment holding company
China Mobile (Shenzhen) Limited**	PRC	US\$7,633,000	—	100%	Provision of roaming clearance services

17 PRINCIPAL SUBSIDIARIES (CONTINUED)

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
			<i>Held by the Company</i>	<i>Held by a subsidiary</i>	
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 ^{**#}	PRC	US\$10,000,000	—	100%	Technology platform development and maintenance
Aspire Information Network (Shenzhen) Limited ^{**#}	PRC	US\$5,000,000	—	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited ^{**#}	PRC	US\$5,000,000	—	100%	Technology platform development and maintenance
Fujian FUNO Mobile Communication Technology Company Limited ^{***}	PRC	US\$3,800,000	—	51%	Network planning and optimizing construction testing and supervising, technology support, development and training of Nokia GSM900/1800 Mobile Communication System
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 (“CMHK”)	Hong Kong	HK\$951,046,930	—	100%	Provision of mobile telecommunications and related services
China Mobile International Holdings Limited (“CMI Holdings”)	Hong Kong	HK\$10,500,000,000	100%	—	Investment holding company
China Mobile International Limited	Hong Kong	HK\$3,000,000,000	—	100%	Provision of voice and roaming clearance services, internet services and value-added services
China Mobile Group Device Co., Ltd.	PRC	RMB6,200,000,000	—	99.97%	Provision of electronic communication products design and sale of related products
China Mobile Group Finance Co., Ltd. (“China Mobile Finance”) ^{##}	PRC	RMB5,000,000,000	—	92%	Provision of non-banking financial services
China Mobile M2M Company Limited	PRC	RMB500,000,000	—	100%	Provision of network services

17 PRINCIPAL SUBSIDIARIES (CONTINUED)

<u>Name of company*</u>	<u>Place of incorporation/ establishment and operation</u>	<u>Particulars of issued and paid up capital</u>	<u>Proportion of ownership interest</u>		<u>Principal activity</u>
			<u>Held by the Company</u>	<u>Held by a subsidiary</u>	
China Mobile (Suzhou) Software Technology Co., Ltd.	PRC	RMB600,000,000	—	100%	Provision of computer hardware and software research and development services
China Mobile (Hangzhou) Information Technology Co., Ltd.	PRC	RMB600,000,000	—	100%	Provision of computer hardware and software research and development services
China Mobile Online Service Co., Ltd.	PRC	RMB50,000,000	—	100%	Provision of call center service

* The nature of all the legal entities established in the PRC is limited liability company.

** Companies registered as wholly-foreign owned enterprises in the PRC.

*** Company registered as a sino-foreign equity joint venture in the PRC.

Effective interest held by the Group is 66.41%.

China Mobile Finance was established by CMCC and Beijing Mobile, a wholly-owned subsidiary of the Company, with equity interest of 8% and 92%, respectively.

18 INTEREST IN ASSOCIATES

	<u>As of December 31, 2014</u> Million	<u>As of December 31, 2013</u> Million
Share of net assets of associates		
- Unlisted company	3,954	—
- Listed company	66,490	53,940
	<u>70,444</u>	<u>53,940</u>

18 INTEREST IN ASSOCIATES (CONTINUED)

Details of the associates are as follows:

<u>Name of associate</u>	<u>Place of incorporation/ establishment and operation</u>	<u>Proportion of ownership interest held by a subsidiary</u>	<u>Principal activity</u>
Unlisted company			
China Motion United Telecom Limited	Hong Kong	30%	Provision of telecommunications services
Shenzhen China Motion Telecom United Limited	PRC	30%	Provision of telecommunications services
China Tower Corporation Limited (“Tower Company”)	PRC	40%	Constructions, maintenance and operation of communications towers
Listed company			
Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”)	PRC	20%	Provision of banking services
IFLYTEK Co., Ltd. (“IFLYTEK”, renamed on April 16, 2014, formerly known as “Anhui USTC iFLYTEK Co., Ltd.”)	PRC	15%	Provision of Chinese speech and language technology products and services
True Corporation Public Company Limited (“True Corporation”)	Thailand	18%	Provision of telecommunications services

18 INTEREST IN ASSOCIATES (CONTINUED)

Except that IFLYTEK and Tower Company are owned by CMC and True Corporation is owned by CMI Holdings, all the other interest in associates are owned by Guangdong Mobile.

During 2014, CMI Holdings, a wholly-owned subsidiary of the Company subscribed for 4,429,427,068 ordinary shares of True Corporation (a fully-integrated, nationwide telecommunications service provider in Thailand) at the price of Baht6.45 per share with a total consideration of Baht28.57 billion (equivalent approximately RMB5.51 billion). Upon the completion of the subscription, CMI Holdings owns 18% of the share capital and has become the second largest shareholder of True Corporation and two designees nominated by CMI Holdings have been appointed as directors of True Corporation. Accordingly, the Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of True Corporation.

Also in 2014, CMC, a wholly-owned subsidiary of the Company, entered into an agreement with China United Network Communications Corporation Limited and China Telecom Corporation Limited to establish Tower Company. Pursuant to the agreement, CMC contributed RMB4 billion in cash, which represents 40.0% of the registered capital of Tower Company. Upon the completion of the subscription, the Group has appointed three directors for Tower Company. Accordingly, the Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of Tower Company. For the year ended December 31, 2014, Tower Company has not carried out substantial operation, and the total assets and equity were approximately equal to the registered capital as of December 31, 2014.

On April 24, 2013, CMC, a wholly-owned subsidiary of the Company, completed the subscription of 70,273,935 ordinary shares of IFLYTEK representing 15% of the total issued and outstanding shares of IFLYTEK. IFLYTEK is a listed company in Shenzhen Stock Exchange which primarily engages in Chinese speech and language technology industry. The cash consideration for the investment was approximately RMB1,363,000,000. Upon completion of the subscription, the Group has the right to appoint a non-independent director for IFLYTEK. Accordingly, the Group recognized the investment as interest in an associate considering the Group can exercise significant influence on financial and operating policy decisions of IFLYTEK.

The carrying amounts of Group's share of net assets of China Motion United Telecom Limited and Shenzhen China Motion Telecom United Limited were nil. These two entities were in a net liability position based on their latest management accounts as of December 31, 2013 and 2014.

18 INTEREST IN ASSOCIATES (CONTINUED)

Summary financial information on principal associates:

	<i>SPD Bank</i>	
	<i>As of December 31, 2014</i>	<i>As of December 31, 2013</i>
	Million	Million
Total assets	4,195,924	3,680,125
Total liabilities	3,932,639	3,472,898
Total equity	<u>263,285</u>	<u>207,227</u>
Total equity attributable to ordinary shareholders	245,209	204,375
Percentage of ownership of the Group	20%	20%
Total equity attributable to the Group	49,042	40,875
The impact of fair value adjustments at the time of acquisition and goodwill	<u>10,512</u>	<u>11,673</u>
Interest in associates	<u>59,554</u>	<u>52,548</u>

	<i>IFLYTEK</i>		<i>True Corporation</i>
	<i>As of December 31, 2014</i>	<i>As of December 31, 2013</i>	<i>As of December 31, 2014</i>
	Million	Million	Million
Total current assets	2,565	2,682	16,487
Total non-current assets	2,605	1,646	27,428
Total current liabilities	1,076	714	22,026
Total non-current liabilities	193	152	8,608
Total equity	<u>3,901</u>	<u>3,462</u>	<u>13,281</u>
Total equity attributable to equity shareholders	3,707	3,311	13,170
Percentage of ownership of the Group	15%	15%	18%
Total equity attributable to the Group	556	497	2,371
The impact of fair value adjustments at the time of acquisition and goodwill	<u>876</u>	<u>895</u>	<u>3,133</u>
Interest in associates	<u>1,432</u>	<u>1,392</u>	<u>5,504</u>

18 INTEREST IN ASSOCIATES (CONTINUED)

Summary financial information on principal associates (Continued):

	<i>SPD Bank</i>			<i>IFLYTEK</i>		<i>True Corporation</i>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
	Million	Million	Million	Million	Million	Million
Revenue	123,181	100,015	82,952	1,775	1,254	20,447
Profit/(loss) before taxation	62,030	53,849	44,754	434	321	(129)
Profit for the year	47,026	40,922	34,186	379	279	267
Other comprehensive income/(loss)	6,119	(3,835)	17	—	—	—
Total comprehensive income	53,145	37,087	34,203	379	279	267
Dividends received from associates	2,462	2,052	1,120	14	10	—

The fair values of the interests in SPD Bank, IFLYTEK and True Corporation are disclosed as follows:

	<u>As of December 31, 2014</u>		<u>As of December 31, 2013</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	Million	Million	Million	Million
SPD Bank	59,554	58,535	52,548	35,180
IFLYTEK	1,432	3,184	1,392	3,363
True Corporation	5,504	9,205	—	—
Interest in listed associates	<u>66,490</u>	<u>70,924</u>	<u>53,940</u>	<u>38,543</u>

The fair values of interest in SPD Bank, IFLYTEK and True Corporation 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. As of December 31, 2014, the Group's interest in associates is principally the equity investment in SPD Bank and the fair value of investment in SPD Bank was RMB58.54 billion (2013: RMB35.18 billion), below its carrying amount by approximately 1.7% (2013: approximately 33.1%).

The Group assesses at the end of each reporting period whether there is objective evidence that interest in associates are impaired and particularly, whether there was impairment indication existed on interest in SPD Bank. The recoverable amount of the interest in SPD Bank is determined by value-in-use. The calculation used pre-tax cash flow projections for the five years ending December 31, 2019 with subsequent extrapolation to perpetuity. The discount rate used was based on a cost of capital used to evaluate investments in Mainland China. Management judgement is required in estimating the future cash flows of SPD Bank which are sensitive to the cash flows projected. The key assumptions are determined with reference to external sources of information. Based on management's assessment results, there was no impairment as of December 31, 2013 and 2014. Changes in the key assumptions could have a significant impact of the recoverable amount of the interest in SPD Bank and could result in impairment charge in future periods.

The management has determined that there was no impairment indicator of the Group's interests in other associates as of December 31, 2013 and 2014.

19 DEFERRED TAX ASSETS AND LIABILITIES

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

	<i>As of December 31, 2014</i>	<i>As of December 31, 2013</i>
	<u>Million</u>	<u>Million</u>
Deferred tax assets:		
- Deferred tax asset to be recovered after 12 months	4,639	4,453
- Deferred tax asset to be recovered within 12 months	<u>15,868</u>	<u>12,948</u>
	<u>20,507</u>	<u>17,401</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after 12 months	(80)	(90)
- Deferred tax liabilities to be settled within 12 months	<u>(18)</u>	<u>(14)</u>
	<u>(98)</u>	<u>(104)</u>

Deferred tax assets and liabilities recognized and the movements during 2014

	<i>As of January 1, 2014</i>	<i>Credited to profit or loss</i>	<i>As of December 31, 2014</i>
	<u>Million</u>	<u>Million</u>	<u>Million</u>
Deferred tax assets arising from:			
Write-down for obsolete inventories	132	56	188
Write-off of certain network equipment and related assets	2,138	342	2,480
Provision for certain operating expenses	9,182	1,457	10,639
Deferred revenue from Reward Program	4,500	1,121	5,621
Impairment loss for doubtful accounts	<u>1,449</u>	<u>130</u>	<u>1,579</u>
	17,401	3,106	20,507
Deferred tax liabilities arising from:			
Depreciation allowance in excess of related depreciation	<u>(104)</u>	<u>6</u>	<u>(98)</u>
Total	<u>17,297</u>	<u>3,112</u>	<u>20,409</u>

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**Deferred tax assets and liabilities recognized and the movements during 2013**

	<i>As of January 1, 2013</i>	<i>Credited/ (charged) to profit or loss</i>	<i>Exchange differences</i>	<i>As of December 31, 2013</i>
	<u>Million</u>	<u>Million</u>	<u>Million</u>	<u>Million</u>
Deferred tax assets arising from:				
Write-down for obsolete inventories	97	35	—	132
Write-off of certain network equipment and related assets	1,635	503	—	2,138
Provision for certain operating expenses	7,084	2,098	—	9,182
Deferred revenue from Reward Program	3,420	1,080	—	4,500
Impairment loss for doubtful accounts	<u>1,308</u>	<u>141</u>	<u>—</u>	<u>1,449</u>
	13,544	3,857	—	17,401
Deferred tax liabilities arising from:				
Depreciation allowance in excess of related depreciation	<u>(51)</u>	<u>(54)</u>	<u>1</u>	<u>(104)</u>
Total	<u>13,493</u>	<u>3,803</u>	<u>1</u>	<u>17,297</u>

20 RESTRICTED BANK DEPOSITS

	<i>Note</i>	<i>As of December 31, 2014</i>			<i>As of December 31, 2013</i>	
		<i>Non-current assets</i>	<i>Current assets</i>	<i>Total</i>	<i>Non-current assets</i>	<i>Total</i>
		Million	Million	Million	Million	Million
Restricted bank deposits						
- Statutory deposit reserves	(i)	8,666	—	8,666	6,659	6,659
- Pledged bank deposits	(ii)	65	695	760	157	157
		<u>8,731</u>	<u>695</u>	<u>9,426</u>	<u>6,816</u>	<u>6,816</u>

Note:

- (i) The statutory deposit reserves are deposited by China Mobile Finance with the People's Bank of China ("PBOC") as required, which are not available for use in the Group's daily operations.
- (ii) Non-current pledged bank deposits are primarily related to the performance bonds issued by banks in favor of the Office of the Communications Authority (formerly "the Office of the Telecommunications Authority") of Hong Kong, in order to secure CMHK's due performance of network and service rollout requirement in or before 2017 and 2018, respectively.
Current pledged bank deposits represent standby letters of credit in favor of the Office of the Communications Authority of Hong Kong for CMHK fulfilling the deposit requirement for the public auction of spectrum with original maturity within one year.

21 OTHER FINANCIAL ASSETS

	<i>As of December 31, 2014</i>	<i>As of December 31, 2013</i>
	Million	Million
Investment in unlisted equity securities in the PRC	<u>127</u>	<u>127</u>

22 INVENTORIES

	<i>As of</i> <i>December 31,</i> <i>2014</i>	<i>As of</i> <i>December 31,</i> <i>2013</i>
	<u>Million</u>	<u>Million</u>
SIM cards and handsets	8,194	6,632
Other consumables	<u>936</u>	<u>2,520</u>
	<u>9,130</u>	<u>9,152</u>

23 ACCOUNTS RECEIVABLE

(a) Aging analysis

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

	<i>As of</i> <i>December 31,</i> <i>2014</i>	<i>As of</i> <i>December 31,</i> <i>2013</i>
	<u>Million</u>	<u>Million</u>
Within 30 days	9,963	8,316
31 - 60 days	2,184	2,137
61 - 90 days	1,161	1,149
Over 90 days	<u>3,032</u>	<u>2,305</u>
	<u>16,340</u>	<u>13,907</u>

Accounts receivable primarily comprise receivables from customers and telecommunications operators. Accounts receivable from the provision of telecommunications services to customers are mainly due for payment within one month from date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further telecommunications services can be provided. The increase of accounts receivable over 90 days is mainly due to receivables arising from other telecommunications operators and certain corporate customers that are within credit term.

Accounts receivable are expected to be recovered within one year.

23 ACCOUNTS RECEIVABLE (CONTINUED)

(b) Impairment of accounts receivable

Impairment loss in respect of accounts receivable is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

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

	<u>2014</u> Million	<u>2013</u> Million
As of January 1	5,984	5,274
Impairment loss recognized	5,630	5,174
Accounts receivable written off	<u>(5,134)</u>	<u>(4,464)</u>
As of December 31	<u>6,480</u>	<u>5,984</u>

(c) Accounts receivable that are not impaired

Accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	<i>As of</i> <i>December 31,</i> <u>2014</u> Million	<i>As of</i> <i>December 31,</i> <u>2013</u> Million
Neither past due nor impaired	15,668	13,202
Less than 1 month past due	<u>672</u>	<u>705</u>
	<u>16,340</u>	<u>13,907</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24 OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

Other receivables primarily comprise interest receivable from banks, utilities deposits and rental deposits, which are expected to be recovered within one year.

Prepayments and other current assets primarily consist of rental prepayments.

As of December 31, 2013 and 2014, there were no significant overdue amounts for other receivables.

25 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, 2014, amount due to ultimate holding company primarily comprises the short-term deposits of CMCC in China Mobile Finance and the interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>Note</i>	<i>As of December 31, 2014 Million</i>	<i>As of December 31, 2013 Million</i>
Wealth management products issued by banks	(i)	<u>2,000</u>	<u>—</u>

Note:

- (i) The available-for-sale financial assets represent wealth management products issued by banks which retain the possible loss of the principal amount invested. These wealth management products will mature within one year with variable return rates indexed to the performance of underlying assets. As of December 31, 2014, the carrying amount approximated the fair value (level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)). The fair values are based on cash flow discounted using the judgement that expected return will be obtained upon maturity.

27 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.

28 CASH AND CASH EQUIVALENTS

	<i>As of</i> <u>December 31,</u> <u>2014</u>	<i>As of</i> <u>December 31,</u> <u>2013</u>
	Million	Million
Bank deposits with original maturity within three months	27,421	7,798
Cash at banks and in hand	<u>39,323</u>	<u>37,133</u>
	<u>66,744</u>	<u>44,931</u>

29 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

	<i>As of</i> <u>December 31,</u> <u>2014</u>	<i>As of</i> <u>December 31,</u> <u>2013</u>
	Million	Million
Due within 1 month or on demand	193,595	140,397
Due after 1 month but within 3 months	13,465	13,449
Due after 3 months but within 6 months	6,095	6,492
Due after 6 months but within 9 months	3,363	5,294
Due after 9 months but within 12 months	<u>6,985</u>	<u>7,525</u>
	<u>223,503</u>	<u>173,157</u>

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

30 DEFERRED REVENUE

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

	<u>2014</u>	<u>2013</u>
	Million	Million
As of January 1	62,451	58,322
- Current portion	61,789	57,988
- Non-current portion	662	334
Additions during the year	233,944	256,882
Recognized in the consolidated statements of comprehensive income	<u>(232,940)</u>	<u>(252,753)</u>
As of December 31	63,455	62,451
Less: Current portion	<u>(62,615)</u>	<u>(61,789)</u>
Non-current portion	<u>840</u>	<u>662</u>

31 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>As of</i>	<i>As of</i>
	<i>December 31,</i>	<i>December 31,</i>
	<u>2014</u>	<u>2013</u>
	Million	Million
Receipts-in-advance	65,000	68,411
Other payables	16,998	14,285
Accrued salaries, wages and benefits	5,372	5,649
Accrued expense	<u>47,355</u>	<u>37,466</u>
	<u>134,725</u>	<u>125,811</u>

32 INTEREST-BEARING BORROWINGS

	<i>As of</i> <u>December 31,</u> <u>2014</u> Million	<i>As of</i> <u>December 31,</u> <u>2013</u> Million
Bonds	<u>4,992</u>	<u>4,989</u>

As of December 31, 2014, the bonds represent the balance of fifteen-year guaranteed bonds issued by Guangdong Mobile, a subsidiary of the Company, with a principal amount of RMB5,000,000,000, at an issue price equal to the face value of the bonds. The bonds are unsecured and bear interest at the rate of 4.5% per annum which is payable annually. The bonds, redeemable at 100% of the principal amount, will mature on October 28, 2017.

The Company has issued a joint and irrevocable guarantee (the “Guarantee”) for the performance of the bonds. CMCC, the ultimate holding company, has also issued a further guarantee in relation to the performance by the Company of its obligations under the Guarantee.

33 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution passed at the Annual General Meeting held on June 24, 2002, the current share option scheme (the “Current Scheme”) was adopted.

Under the Current Scheme, the directors of the Company may, at their discretion, invite employees, including executive directors and non-executive directors of the Company, any of its holding companies and any of their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds an equity interest, to receive options to subscribe for shares of the Company. The consideration payable for the grant of option under the Current Scheme is HK\$1.00.

The maximum aggregate number of shares which can be subscribed for pursuant to options that are or may be granted under the above scheme equals to 10% of the total issued share capital of the Company as of the date of adoption of the Current Scheme. Options lapsed or cancelled in accordance with the terms of the Current Scheme will not be counted for the purpose of calculating this 10% limit.

The HKEx requires the exercise price of options to be at least the higher of the nominal value of a share (no longer existed after March 3, 2014, see note 34(b)(ii)), the closing price of the shares on the HKEx on the date on which the option was granted and the average closing price of the shares on the HKEx for the five trading days immediately preceding the date on which the option was granted.

For options granted under the Current Scheme, the exercise price of options shall be determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of a share (no longer exists after March 3, 2014, see note 34(b)(ii));
- (ii) the closing price of the shares on the HKEx on the date on which the option was granted; and
- (iii) the average closing price of the shares on the HKEx for the five trading days immediately preceding the date on which the option was granted.

Under the Current Scheme, the term of the option is determined by the directors at their discretion, provided that all options shall be exercised within 10 years after the date on which the option is granted.

33 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

- (a) The terms and conditions of the grants that existed as of the end of the years are as follows, whereby all options are settled by physical delivery of shares:

	<i>Number of instruments</i>		<i>Vesting conditions</i>	<i>Contractual life of options</i>
	<i>2014</i>	<i>2013</i>		
Options granted to directors				
- on October 28, 2004	—	473,175	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
- on November 8, 2005	2,881,500	2,881,500	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
Options granted to other employees				
- on October 28, 2004	—	113,418,420	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
- on December 21, 2004	—	475,000	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
- on November 8, 2005	43,351,922	268,025,464	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
Total share options	<u>46,233,422</u>	<u>385,273,559</u>		

33 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price HK\$	Number of shares involved in the options	Weighted average exercise price HK\$	Number of shares involved in the options
As of January 1	31.28	385,273,559	31.24	387,811,349
Exercised	30.86	(335,886,849)	24.55	(2,199,065)
Expired	23.33	(3,153,288)	—	—
Forfeited	—	—	30.39	(338,725)
As of December 31	34.87	<u>46,233,422</u>	31.28	<u>385,273,559</u>
Option vested as of December 31	34.87	<u>46,233,422</u>	31.28	<u>385,273,559</u>

The weighted average share price at the date of exercise for shares options exercised during the year was HK\$79.40 (2013: HK\$84.73).

The options outstanding as of December 31, 2014 had exercise price HK\$34.87 (2013: HK\$22.75 to HK\$34.87) and a weighted average remaining contractual life of 0.9 year (2013: 1.5 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. No share options were granted during 2013 and 2014.

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends attributable to the year:

	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Ordinary interim dividend declared and paid of HK\$1.540 (equivalent to approximately RMB1.222) (2013: HK\$1.696 (equivalent to approximately RMB1.351); 2012: HK\$1.633 (equivalent to approximately RMB1.331)) per share	24,880	27,031	26,842
Ordinary final dividend proposed after the balance sheet date of HK\$1.380 (equivalent to approximately RMB1.089) (2013: HK\$1.615 (equivalent to approximately RMB1.270); 2012: HK\$1.778 (equivalent to approximately RMB1.442)) per share	<u>22,290</u>	<u>25,644</u>	<u>28,979</u>
	<u>47,170</u>	<u>52,675</u>	<u>55,821</u>

The proposed ordinary final dividend which is declared in Hong Kong dollar is translated into RMB at the rate HK\$1 = RMB0.78887, being the rate announced by the State Administration of Foreign Exchange in the PRC on December 31, 2014 (2013: HK\$1 = RMB0.78623; 2012: HK\$1 = RMB0.81085). As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as of December 31, 2014.

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)

(a) Dividends (Continued)

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

	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.615 (equivalent to approximately RMB1.270) (2013: HK\$1.778 (equivalent to approximately RMB1.442); 2012: HK\$1.747 (equivalent to approximately RMB1.416)) per share	<u>26,044</u>	<u>28,460</u>	<u>28,583</u>

(b) Share capital

(i) Authorized and issued share capital

	<u>2014</u> HK\$ Million			<u>2013</u> HK\$ Million		
Authorized:						
30,000,000,000 ordinary shares of HK\$0.10 each (note 34(b)(ii))	<u>—</u>			<u>3,000</u>		
	<u>2014</u>			<u>2013</u>		
	<u>Number of shares</u>	<u>HK\$ Million</u>	<u>Equivalent RMB Million</u>	<u>Number of shares</u>	<u>HK\$ Million</u>	<u>Equivalent RMB Million</u>
Issued and fully paid:						
As of January 1	20,102,539,665	2,010	2,142	20,100,340,600	2,010	2,142
Shares issued under share option scheme (note 34(b)(iii))	335,886,849	11,004	9,279	2,199,065	—	—
Transition to no-par value regime (note 34(b)(ii))	<u>—</u>	<u>367,576</u>	<u>389,316</u>	<u>—</u>	<u>—</u>	<u>—</u>
As of December 31	<u>20,438,426,514</u>	<u>380,590</u>	<u>400,737</u>	<u>20,102,539,665</u>	<u>2,010</u>	<u>2,142</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) Share capital (Continued)

(ii) Transition to no-par value regime

Under the new Hong Kong Companies Ordinance (Cap. 622) which commenced operation on March 3, 2014, the concept of authorized share capital no longer exists and the Company's 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 the members as a result of this transition.

In addition, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(iii) Shares issued under share option scheme

During 2014, options were exercised to subscribe for 335,886,849 ordinary shares in the Company at a consideration of HK\$10,365,000,000 (equivalent to RMB8,215,000,000) of which HK\$6,000,000 (equivalent to RMB5,000,000) was credited to share capital and HK\$1,887,000,000 (equivalent to RMB1,488,000,000) was credited to the share premium account before March 3, 2014 and HK\$8,472,000,000 (equivalent to RMB6,722,000,000) was credited to share capital after March 3, 2014. RMB585,000,000 has been transferred from the capital reserve to the share premium account before March 3, 2014 and RMB2,552,000,000 has been transferred from the capital reserve to the share capital account after March 3, 2014 in accordance with policy set out in note 2 (w)(ii).

(c) Nature and purpose of reserves

(i) Share premium

Under the new Hong Kong Companies Ordinance (Cap. 622) which commenced operation on March 3, 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital (see note 34(b)(ii)).

(ii) Capital reserve

The capital reserve mainly comprises the following:

- The fair value of unexercised share options granted to employees of the Group recognized in accordance with the accounting policy adopted for share-based payments in note 2(w)(ii); and
- RMB295,665,000,000 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 in previous years.

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(iii) 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 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.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas entities. The reserve is dealt with in accordance with the accounting policies set out in note 2 (y).

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(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 debts (including obligations under finance leases and interest-bearing borrowings as shown in the consolidated balance sheets) 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 debts).

As of December 31, 2014, the Group's total debt-to-book capitalization ratio was 0.6% (2013: 0.8%).

Except China Mobile Finance, the Company and its 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 and its subsidiaries ("CMCC Group"), other than transactions disclosed in note 25, for the years ended December 31, 2012, 2013 and 2014. 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.

	<u>Note</u>	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Telecommunications services revenue	(i)	885	1,590	2,113
Telecommunications services charges	(i)	4,602	2,843	1,580
Property leasing and management services charges	(ii)	803	808	785
Interest expenses	(iii)	—	103	161
Interconnection revenue	(iv)	216	241	253
Interconnection charges	(iv)	425	500	472
Network assets leasing revenue	(v)	95	109	109
Network assets leasing charges	(v)	11,062	9,837	2,950
Network capacity leasing charges	(v)	5,012	3,876	2,477
Revenue derived from cooperation of telecommunications services	(vi)	481	494	341
Charges for cooperation of telecommunications services	(vi)	<u>2,567</u>	<u>2,232</u>	<u>1,936</u>

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with CMCC Group (Continued)

Note:

- (i) The amounts represent telecommunications services settlement received/receivable from or paid/payable to CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, telecommunications line maintenance services, and installation and maintenance services in respect of transmission towers.
- (ii) The amount represents the rental and property management fees paid/payable to CMCC Group in respect of business premises and offices, retail outlets and warehouses.
- (iii) The amount represents the interest expenses paid to China Mobile Hong Kong (BVI) Limited, the Company's immediate holding company, in respect of the balance of purchase consideration for acquisitions of subsidiaries.
- (iv) The amounts represent settlement received/receivable from or paid/payable to CMCC Group, in respect of interconnection settlement revenue and charges.
- (v) The amounts represent the network assets leasing settlement received/receivable from or paid/payable to CMCC Group and the TD-SCDMA network capacity charges paid/ payable to CMCC Group. On December 29, 2008, the Company entered into a network capacity leasing agreement (the "Network Capacity Leasing Agreement") with CMCC Group for the provision of TD-SCDMA related services. The lease was effective from January 1, 2009 to December 31, 2009 and is automatically renewed for successive one-year periods unless otherwise notified by one party to the other party. The Group is permitted to terminate the lease by giving 60 days advance written notice to CMCC Group. No penalty will be imposed in the event of a lease termination. Pursuant to the Network Capacity Leasing Agreement, the Group leases TD-SCDMA network capacity from CMCC Group and pays leasing fees to CMCC Group. The leasing fees are determined on a basis that reflects the actual usage of CMCC Group's TD-SCDMA network capacity and compensates CMCC Group for the costs of such network capacity. At the end of the lease terms, there is no purchase option granted to the Group to purchase the leased network assets. The Group also does not bear any gains or losses in the fluctuation in the fair value of the leased network assets at the end of the lease terms. As a result, the Group does not bear the risks associated with the ownership of the leased network assets, and accordingly the Group accounts for the network assets leasing and the network capacity leasing as operating leases.
- (vi) The amounts represent the services fee received/receivable from or paid/payable to CMCC Group for providing customer development services and cooperation in the provision of basic and value added telecommunications services.

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/to CMCC Group

Amounts due from/to CMCC Group, other than amount due from/to ultimate holding company, are included in the following accounts captions summarized as follows:

	<i>As of</i> <i>December 31,</i> <i>2014</i>	<i>As of</i> <i>December 31,</i> <i>2013</i>
	<u>Million</u>	<u>Million</u>
Accounts receivable	1,037	1,162
Other receivables	5	6
Prepayments and other current assets	146	109
Accounts payable	5,693	4,036
Accrued expenses and other payables	<u>309</u>	<u>145</u>

The amounts are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business.

(c) Significant transactions with associates of the Group and of CMCC Group

The Group has entered into transactions with associates over which the Group or CMCC Group can exercise significant influence. The major transactions entered into by the Group and the associates and amount due from/to the associates are follows:

	<i>As of</i> <i>December 31, 2014</i>	<i>As of</i> <i>December 31, 2013</i>		
	<u>Million</u>	<u>Million</u>		
Bank deposits	42,660	42,752		
Available-for-sale financial assets	1,000	—		
Interest receivable	934	664		
Accounts payable	<u>513</u>	<u>208</u>		
	<i>Note</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
		<u>Million</u>	<u>Million</u>	<u>Million</u>
Interest income	(i)	1,653	1,355	797
Mobile telecommunications services revenue	(ii)	127	84	61
Mobile telecommunications services charges	(iii)	1,837	2,261	1,635
Dividend income		<u>2,476</u>	<u>2,062</u>	<u>1,120</u>

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant transactions with associates of the Group and of CMCC Group (Continued)

Note:

- (i) Interest income represents interest earned from deposits placed with SPD Bank. The applicable interest rate is determined in accordance with the benchmark interest rate published by PBOC.
- (ii) The amount represents the mobile telecommunications services revenue received/receivable from SPD Bank.
- (iii) The amount represents the mobile telecommunications services charges paid/payable to Union Mobile Pay Co., Ltd., an associate of CMCC Group.

(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 organisation (collectively referred to as “government-related entities”).

Apart from transactions with CMCC Group (notes 25 and 35(a)) and an associate (note 35(c)) and the transaction to establish Tower Company (note 18), 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 in the ordinary course of the Group’s business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products in accordance with rules and regulations stipulated by related authorities of the PRC government, where applicable, or based on commercial negotiations. 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 compensation, please refer to note 9.

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 consolidated balance sheets, which mainly include deposits with banks, accounts receivable and other receivables. The maximum exposure to credit risk is represented by the carrying amount of the financial assets.

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.

The accounts receivable of the Group is primarily comprised of receivables due from customers and telecommunications operators. Accounts receivable from 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. Other receivables primarily comprise interest receivable from banks, utilities deposits and rental deposits. 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. As such, management considers the aggregate risks arising from the possibility of credit losses is limited and to be acceptable.

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 does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as shown in note 23(c).

(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, principal and interest payments on debts, 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:

	<i>As of December 31, 2014</i>				
	<i>Carrying amount</i>	<i>Total contractual undiscounted cash flow</i>	<i>Within 1 year or on demand</i>	<i>More than 1 year but less than 3 years</i>	<i>More than 3 years but less than 5 years</i>
	Million	Million	Million	Million	Million
Accounts payable	223,503	223,503	223,503	—	—
Bills payable	674	674	674	—	—
Accrued expenses and other payables	134,725	134,725	134,725	—	—
Amount due to ultimate holding company	4,271	4,340	4,340	—	—
Interest-bearing borrowings	4,992	5,635	225	5,410	—
Obligations under finance leases	68	71	71	—	—
	<u>368,233</u>	<u>368,948</u>	<u>363,538</u>	<u>5,410</u>	<u>—</u>
	<i>As of December 31, 2013</i>				
	<i>Carrying amount</i>	<i>Total contractual undiscounted cash flow</i>	<i>Within 1 year or on demand</i>	<i>More than 1 year but less than 3 years</i>	<i>More than 3 years but less than 5 years</i>
	Million	Million	Million	Million	Million
Accounts payable	173,157	173,157	173,157	—	—
Bills payable	1,360	1,360	1,360	—	—
Accrued expenses and other payables	125,811	125,811	125,811	—	—
Amount due to ultimate holding company	22	22	22	—	—
Interest-bearing borrowings	4,989	5,860	225	450	5,185
Obligations under finance leases	68	71	71	—	—
	<u>305,407</u>	<u>306,281</u>	<u>300,646</u>	<u>450</u>	<u>5,185</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 to monitor the interest risk on a reasonable level. As of December 31, 2014, the Group did not have any interest-bearing borrowings at variable rates, but had RMB5 billion of bonds, which were issued at fixed rate and exposes the Group to fair value interest rate risk. The Group determines the amount of its fixed rate 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, 2014, total cash and bank balances of the Group amounted to RMB428,288,000,000 (2013: RMB426,724,000,000). The interest income for 2014 was RMB16,149,000,000 (2013: RMB15,289,000,000) and the average interest rate was 3.78% (2013: 3.66%). Assuming the total cash and bank balances 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 RMB3,229,000,000 (2013: RMB3,213,000,000).

(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. As the amount of the Group's foreign currency cash and deposits with banks represented 1.4% (2013: 0.8%) 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

All financial instruments are carried at amounts not materially different from their fair values as of December 31 except as follows:

	<u>As of December 31, 2014</u>		<u>As of December 31, 2013</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	Million	Million	Million	Million
Interest-bearing borrowings - bonds	4,992	4,951	4,989	4,675

The fair value of bonds is based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs.

37 COMMITMENTS

(a) Capital commitments

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

	<u>2014</u> Million	<u>2013</u> Million
Commitments in respect of land and buildings		
- authorized and contracted for	7,547	7,212
- authorized but not contracted for	<u>32,498</u>	<u>43,709</u>
	<u>40,045</u>	<u>50,921</u>
Commitments in respect of telecommunications equipment		
- authorized and contracted for	24,607	25,022
- authorized but not contracted for	<u>112,114</u>	<u>167,901</u>
	<u>136,721</u>	<u>192,923</u>
Total commitments		
- authorized and contracted for	32,154	32,234
- authorized but not contracted for	<u>144,612</u>	<u>211,610</u>
	<u>176,766</u>	<u>243,844</u>

37 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

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

	<u>Land and buildings</u> Million	<u>Leased lines</u> Million	<u>Others</u> Million	<u>Total</u> Million
As of December 31, 2014				
Within one year	9,733	9,291	1,043	20,067
After one year but within five years	18,882	3,822	1,361	24,065
After five years	<u>5,853</u>	<u>953</u>	<u>69</u>	<u>6,875</u>
	<u>34,468</u>	<u>14,066</u>	<u>2,473</u>	<u>51,007</u>
As of December 31, 2013				
Within one year	8,008	5,627	984	14,619
After one year but within five years	15,966	2,706	1,355	20,027
After five years	<u>4,476</u>	<u>669</u>	<u>34</u>	<u>5,179</u>
	<u>28,450</u>	<u>9,002</u>	<u>2,373</u>	<u>39,825</u>

The Group leases certain land and buildings, leased lines, motor vehicles, computer and other office equipment under operating leases. None of the leases include contingent rentals.

38 POST BALANCE SHEET EVENT

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended December 31, 2014. Further details are disclosed in note 34(a)(i).

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 16 contains information about the assumptions relating to goodwill impairment, and note 35 contains information about the judgements on the lease classification of leasing of TD-SCDMA network capacity. Other key sources of estimation uncertainty are as follows:

Impairment loss for doubtful accounts

The Group assesses impairment loss for doubtful accounts based upon evaluation of the recoverability of the accounts receivable and other receivables at each balance sheet date. The estimates are based on the aging of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the customers were to deteriorate, additional impairment may be required.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

Impairment of property, plant and equipment, interest in associates, goodwill and other intangible assets

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, interest in associates and other intangible assets subject to amortization, 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 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 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 goodwill impairment and the impairment assessment of interest in associates is disclosed in notes 16 and 18, respectively.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014 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 consolidated financial statements:

	<i>Effective for accounting periods beginning on or after</i>
Amendment to IAS 19, "Employee Benefits"	July 1, 2014
Annual Improvement to IFRSs 2010-2012 cycle	July 1, 2014
Annual Improvement to IFRSs 2011-2013 cycle	July 1, 2014
Amendment to IFRS 11, "Joint Arrangements"	January 1, 2016
Amendment to IAS 16, "Property, Plant and Equipment"	January 1, 2016
Amendment to IAS 38, "Intangible Assets"	January 1, 2016
Amendment to IFRS 10, "Consolidated Financial Statements"	January 1, 2016
Amendment to IAS 28, "Investments in Associates and Joint Ventures"	January 1, 2016
Amendment to IAS 27, "Separate Financial Statements"	January 1, 2016
Annual Improvement to IFRSs 2012-2014 cycle	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
IFRS 9 "Financial Instrument"	January 1, 2018

Management is assessing the impact of such new standards, amendments to standards and will adopt the relevant standards, amendments to standards in the subsequent periods as required.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after March 3, 2014 in accordance with section 358 of the new Hong Kong Companies Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

41 CONDENSED FINANCIAL INFORMATION OF THE COMPANY

(a) Condensed statements of comprehensive income

	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Dividend income	50,451	67,806	14,400
Operating expenses	(81)	(87)	(111)
Interest income	53	14	15
Non-operating (loss)/income, net	(93)	54	3
Finance costs	<u>(2)</u>	<u>(105)</u>	<u>(164)</u>
Profit before taxation	50,328	67,682	14,143
Taxation	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT FOR THE YEAR	50,328	67,682	14,143
Other comprehensive loss for the year that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas entities	<u>—</u>	<u>—</u>	<u>(7)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>50,328</u>	<u>67,682</u>	<u>14,136</u>

41 CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

(b) Condensed balance sheets

	<i>As of</i> <u>December 31,</u> <u>2014</u> Million	<i>As of</i> <u>December 31,</u> <u>2013</u> Million
Non-current assets	485,110	479,149
Current assets	4,864	3,212
Current liabilities	12	21
Non-current liabilities	4,992	4,989
NET ASSETS	<u>484,970</u>	<u>477,351</u>
TOTAL EQUITY	<u>484,970</u>	<u>477,351</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 flow

	<u>2014</u> Million	<u>2013</u> Million	<u>2012</u> Million
Net cash used in operating activities	<u>(81)</u>	<u>(69)</u>	<u>(90)</u>
Net cash generated from investing activities	<u>7,431</u>	<u>14,785</u>	<u>15,364</u>
Net cash used in financing activities	<u>(5,515)</u>	<u>(14,447)</u>	<u>(15,226)</u>
Net increase in cash and cash equivalents	1,835	269	48
Cash and cash equivalents at beginning of year	1,295	974	919
Effect of changes in foreign exchange rate	<u>(100)</u>	<u>52</u>	<u>7</u>
Cash and cash equivalents at end of year	<u>3,030</u>	<u>1,295</u>	<u>974</u>

ARTICLES OF ASSOCIATION

(Inclusive of alterations made up to 22 May 2014)

OF



CHINA MOBILE LIMITED

中國移動有限公司

[COPY]

COMPANIES ORDINANCE
(CHAPTER 32)
香港法例第32章
公司條例

CERTIFICATE OF CHANGE OF NAME
公司更改名稱證書

I hereby certify that
本人謹此證明

CHINA MOBILE (HONG KONG) LIMITED
(中國移動(香港)有限公司)

having by special resolution changed its name, is now incorporated
under the name of
經通過特別決議，已將其名稱更改，該公司的註冊名稱現為

CHINA MOBILE LIMITED
中國移動有限公司

Issued by the undersigned on 29 May 2006.
本證書於二〇〇六年五月二十九日簽發。

(Sd.) Nancy O.S. Yau
Miss Nancy O.S. YAU

*for Registrar of Companies
Hong Kong*

香港公司註冊處處長
(公司註冊主任邱愛琛代行)

[COPY]

COMPANIES ORDINANCE
(CHAPTER 32)
香港法例第32章
公司條例

CERTIFICATE OF INCORPORATION
ON CHANGE OF NAME
公司更改名稱
註冊證書

I hereby certify that
本人謹此證明

CHINA TELECOM (HONG KONG) LIMITED
(中國電信(香港)有限公司)

having by special resolution changed its name, is now incorporated
under the name of
經通過特別決議，已將其名稱更改，該公司的註冊名稱現為

CHINA MOBILE (HONG KONG) LIMITED
(中國移動(香港)有限公司)

Issued by the undersigned on 28 June 2000.
本證書於二〇〇〇年六月廿八日簽發。

(Sd.) R. Cheung
MISS R. CHEUNG

for Registrar of Companies
Hong Kong
香港公司註冊處處長
(公司註冊主任張潔心代行)

[COPY]

COMPANIES ORDINANCE
(CHAPTER 32)
香港法例第32章
公司條例

CERTIFICATE OF INCORPORATION
公司註冊證書

I hereby certify that
本人謹此證明

CHINA TELECOM (HONG KONG) LIMITED
(中國電信(香港)有限公司)

is this day incorporated in Hong Kong under the Companies Ordinance, and
that this company is limited.
於本日在香港依據公司條例註冊成為有限公司。

Issued by the undersigned on 3 September 1997.
本證書於一九九七年九月三日簽發。

(Sd.) H. Chang
MISS H. CHANG

for Registrar of Companies
Hong Kong
香港公司註冊處處長
(公司註冊主任張巧雯代行)

THE COMPANIES ORDINANCE (CHAPTER 622)

Company Limited by Shares

ARTICLES OF ASSOCIATION
(adopted by Special Resolution passed on 8 October 1997)

OF

CHINA MOBILE LIMITED
中國移動有限公司

(Formerly CHINA MOBILE (HONG KONG) LIMITED)
(前稱中國移動(香港)有限公司)

(Inclusive of alterations up to 22 May 2014)

PRELIMINARY

1. The regulations contained in the Model Articles in Schedule 1 to the Companies (Model Articles) Notice (Chapter 622H of the Laws of Hong Kong) shall not apply to the Company.

INTERPRETATION

2. (a) In these Articles save where the context otherwise requires;
 - “Associates” has the same meaning ascribed to it under the HKSE Listing Rules;
 - “Auditors” means the Auditors of the Company for the time being;
 - “Chairman” means the Chairman presiding at any meeting of members or the Board;
 - “Company” means the above-named Company;
 - “Ordinance” means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), and includes every other ordinance incorporated therewith or substituted therefor; and in the case of any such substitution the references in these Articles to the provisions of the Ordinance shall be read as references to the provisions substituted therefor in the new ordinance;
 - “Board” and “Directors” means the directors for the time being of the Company or the Directors present at a duly convened meeting of directors at which a quorum is present;

“call” includes any instalment of a call and, in the application of provisions of these Articles to forfeiture of shares, a sum which, by the terms of issue of a share, is payable at a fixed time in respect of moneys unpaid on the shares;

“capital” means the share capital from time to time of the Company;

“Clearing House” means a recognised clearing house under the Securities and Futures Ordinance or any other ordinance substituted therefor;

“Dividend” includes distributions in specie or in kind, capital distributions and capitalisation issues;

“Dollars” and “\$” means dollars in the lawful currency of Hong Kong;

“HKSE Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“month” means calendar month;

“Office” means the registered office of the Company for the time being;

“paid up” includes credited as paid up;

“Register” means the register of members of the Company kept pursuant to the Ordinance and includes any branch register kept pursuant to the Ordinance;

“Seal” means the common seal of the Company or any official seal that the Company may have as permitted by the Ordinance;

“Secretary” means the person or persons appointed for the time being to perform for the Company the duties of a secretary;

“share” means a share in the capital of the Company;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“these Articles” means these Articles of Association in their present form or as altered from time to time;

“in writing” and “written” includes facsimile and telex messages and any mode of reproducing words in a legible and non-transitory form.

- (b) In these Articles, if not in consistent with the subject or context, words importing the singular number only shall include the plural number and vice versa, words importing any gender shall include all other genders and references to persons shall include corporations (acting, where applicable, by their duly authorised representatives).
- (c) Subject as aforesaid, any words defined in the Ordinance shall, if not in consistent with the subject or context, bear the same meaning in these Articles.
- (d) The headings and any marginal notes a reinserted for convenience only and shall not affect the construction of these Articles.

NAME

3. The name of the Company is “CHINA MOBILE LIMITED 中國移動有限公司”.¹

THE OFFICE

4. The Office shall be at such place in Hong Kong as the Directors shall from time to time appoint.

LIABILITY OF MEMBERS

5. The liability of members is limited to any amount unpaid on the shares held by the members.

SHARES

6. Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with or without any special voting rights.
7. Without prejudice to any special rights, privileges or restrictions for the time being attached to any issued shares, any unissued or forfeited shares may be issued or re-issued upon such terms and conditions, and with such rights, privileges and restrictions attached thereto, whether in regard to dividends, voting, repayment or redemption of share capital, or otherwise, as the Company may, subject to the Ordinance, from time to time determine or, in the absence of any such determination, as the Directors shall determine.
8. The Board may issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine, provided that the Company shall not have power to issue share warrants in bearer form.
9. Save as provided by contract or the Ordinance or these Articles to the contrary, all unissued shares shall be at the disposal of the Directors who may allot, grant options over or otherwise deal with or dispose of the same to such persons, at such times, for such consideration and generally upon such terms and conditions as they shall in their absolute discretion think fit.
10. The Company may make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and the time of payment of such calls.
11. If by the conditions of allotment of any shares the whole or part of the issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the shares, or his legal personal representative.
12. Subject to the provisions of the Ordinance, any preference share may be issued on the terms that it is, or at the option of the Company is liable, to be redeemed.

13. Subject to the provisions of these Articles, except as required by law or ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any share upon any trust, and except as aforesaid, the Company shall not be bound by or required in any way to recognise any contingent, future, partial or equitable interest in any share or in any fractional part of a share or any other right in respect of any share or any other claim to or in respect of any such share on the part of any person (even when having notice thereof) except an absolute right to the entirety thereof in the registered holder.
14. The Company may in connection with the issue of any shares exercise all powers of paying interest out of capital and of paying commission and brokerage conferred or permitted by the Ordinance.
15. No person shall become a member until his name shall have been entered into the Register.

JOINT HOLDERS OF SHARES

16. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the following provisions:-
 - (a) the Company shall not be bound to register more than four persons as the holders of any shares except in the case of the legal personal representatives of a deceased member;
 - (b) the joint holders of any shares shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such shares;
 - (c) on the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such shares, but the Directors may require such evidence of death as they may deem fit;
 - (d) any one of such joint holders may give effectual receipts for any dividend, bonus or return of capital payable to such joint holders; and
 - (e) the Company shall be at liberty to treat the person whose name stands first in the Register as one of the joint holders of any shares as solely entitled to delivery of the certificate relating to such shares, or to receive notices from the Company, or to attend or vote at general meetings of the Company, and any notice given to such person shall be deemed notice to all the joint holders; but any one of such joint holders may be appointed the proxy of the persons entitled to vote on behalf of such joint holders, and as such proxy to attend and vote at general meetings of the Company, but if more than one of such joint holders be present at any meeting personally or by proxy that one so present whose name stands first in the Register in respect of such shares shall alone be entitled to vote in respect thereof.

SHARE CERTIFICATES

17. In accordance with the Ordinance, every person whose name is entered as a member in the Register shall be entitled without payment to receive after allotment or lodgment of an instrument of transfer duly stamped one certificate for all his shares of any particular class, or if he shall so request, upon payment of a fee (not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit) for every certificate after the first, as the Directors shall from time to time determine, such number of certificates for shares in Stock Exchange board lots or multiples thereof as he shall request and one for the balance (if any) of the shares in question, provided that in the event of a member transferring part of the shares represented by a certificate in his name a new certificate in respect of the balance thereof shall be issued in his name without payment and, in the case of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.

18. Every share certificate shall be issued under the Seal (which for this purpose may be any official seal as permitted by section 126 of the Ordinance or a mechanical reproduction of the impression of such official seal) and shall specify the number and class of shares and, if required, the distinctive numbers thereof, to which the certificate relates, and the amount paid up thereon and may otherwise be in such form as the Board may from time to time determine. If at any time the share capital of the Company is divided into different classes of shares, every share certificate issued at that time shall comply with section 179 of the Ordinance, and no certificate shall be issued in respect of more than one class of shares.
19. Subject to sections 162 to 169 of the Ordinance, if any share certificate shall be worn out, defaced, destroyed or lost, it may be replaced on payment of such fee, if any (not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit), on such evidence being produced as the Directors shall require, and in case of wearing out or defacement, on delivery up of the old certificate, and in case of destruction or loss, on the execution of such indemnity (if any), as the Directors may require. In case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of the production of such indemnity.

CALLS ON SHARES

20. (a) The Directors may from time to time make calls upon the members in respect of all moneys unpaid on their shares but subject always to the terms of issue of such shares, and any such call may be made payable by instalments.
(b) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place for payment, pay to the Company the amount called on his shares and at the time or times and place so specified. The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, any of the members shall not invalidate the call.
21. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be revoked, varied or postponed as to all or any of the members liable therefor as the Directors may determine. A person on whom a call is made will remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made.
22. If any part of a call be not paid before or on the day appointed for payment thereof, the person from whom the payment is due shall be liable to pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment together with interest on the outstanding part thereof at such rate as the Directors shall determine (not exceeding twenty per cent. per annum) from the day appointed for the payment of such call or instalment to the time of discharge thereof in full; but the Directors may, if they shall think fit, waive the payment of such costs, charges, expenses or interest or any part thereof.
23. If, by the terms of the issue of any shares or otherwise, any amount is made payable upon allotment or at any fixed time, every such amount shall be payable as if it were a call duly made and payable on the date on which by the terms of issue the same becomes payable; and all the provisions hereof with respect to the payment of calls and interest thereon, or to the forfeiture of shares for non-payment of calls shall apply to every such amount and the shares in respect of which it is payable in the case of non-payment thereof.

24. The Directors may, if they shall think fit, receive from any member willing to advance the same (either in money or money's worth) all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him; and upon all or any of the moneys so paid in advance the Directors may (until the same would, but for such payment in advance, become presently payable) pay interest at such rate as may be agreed upon between the member paying the moneys in advance and the Directors (not exceeding twenty per cent. per annum). But a payment in advance of a call shall not entitle the shareholder to receive any dividend or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called. The Directors may also at any time repay the amount so advanced upon giving to such member one month's notice in writing unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced.
25. On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such money is due; that the resolution making the call is duly recorded in the minute book of the Company; and that notice of such call was duly given to the member sued in pursuance of these Articles, and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence that the money is due.
26. No member shall, unless the Directors otherwise determine, be entitled to receive any dividend or bonus, or to receive notice of or to be present or vote at any general meeting, either personally or (save as proxy for another member) by proxy, or to exercise any privileges as a member, or be reckoned in a quorum, until he shall have paid all calls or other sums for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

FORFEITURE

27. If any member fails to pay in full any call or any instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter, during such time as any part of the call remains unpaid without prejudice to the provisions of Article 26, serve a notice on him requiring him to pay so much of the call as is unpaid together with interest accrued and any expenses incurred by reason of such non-payment.
28. The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which such call or part thereof and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made, such place being either the Office, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call is payable will be liable to forfeiture.
29. If the requirements with regard to payment of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter and before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect, and any such forfeiture shall extend to all dividends and bonuses declared in respect of the shares so forfeited but not payable until after such forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such cases references in these Articles to forfeiture shall include surrender.

30. Any shares so forfeited shall be deemed for the purposes of this Article to be the property of the Company and may be sold, re-allotted or otherwise disposed of either subject to or discharged from all calls made prior to the forfeiture, to any person, upon such terms as to subscription price and otherwise and in such manner and at such time or times as the Directors think fit. For the purpose of giving effect to any such sale or other disposition the Directors may authorise the transfer of the shares so sold or otherwise disposed of to the purchaser thereof or any other person becoming entitled thereto. The Directors shall account to the person whose shares have been forfeited with the balance (if any) of monies received by the Company in respect of those shares after deduction of expenses of forfeiture, sale or disposal of the shares and any amounts due to the Company in respect of the shares.
31. The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit or permit the share forfeited to be redeemed upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.
32. Any person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding the forfeiture be and remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with interest thereon from the date of forfeiture until payment at such rate as the Directors may prescribe (not exceeding twenty per cent. per annum), and the Directors may enforce the payment of such moneys or any part thereof and without any deduction or allowance for the value of the shares at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, shall notwithstanding that the time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.
33. When any shares have been forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry shall be made in the Register recording the forfeiture and the date thereof but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry, and so soon as the shares so forfeited have been sold or otherwise disposed of an entry shall also be made of the manner and date of the sale or disposal thereof.

LIEN

34. The Company shall have a first and paramount lien on every share (not being a fully paid-up share) for all moneys outstanding in respect of such share whether presently payable or not, and the Company shall also have a first and paramount lien on every share (other than fully paid-up shares) standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice has been given to the Company of any interest of any person other than such member, and whether the time for the payment or discharge of the same shall have already arrived or not, and notwithstanding that the same are joint debts or liabilities of such member or his estate and any other person, whether a member or not. The Company's lien on a share shall extend to all dividends payable thereon. The Directors may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be wholly or in part exempt from the provisions of this Article.

35. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death, bankruptcy or winding-up or otherwise by operation of law or court order.
36. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities in respect whereof the lien exists so far as the same are presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Directors may authorise some person to transfer the shares so sold to the purchaser thereof and may enter the purchaser's name in the Register as holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
37. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allocation or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

38. The instrument of transfer of any shares in the Company shall be in writing the usual common form or in such other form as the Board may accept and may be under hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
39. Every instrument of transfer shall be lodged at the Office for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto. All instruments of transfer which shall be registered shall be retained by the Company, but save where fraud is suspected any instrument of transfer which the Directors may decline to register shall, on demand, be returned to the person depositing the same.
40. There shall be paid to the Company in respect of the registration of a transfer and of any Grant of Probate or Letters of Administration, Certificate of Marriage or Death, Power of Attorney or other document relating to or affecting the title to any share or for making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribe (but not exceeding HK\$2.50 or such greater sum as the Stock Exchange may from time to time permit).

41. The registration of transfers may be suspended at such times and for such periods as the Directors may, in accordance with section 632 of the Ordinance, from time to time determine and either generally or in respect of any class of shares.
42. The Directors may, subject to sections 151, 152 and 158 of the Ordinance, at any time in their absolute discretion and without assigning any reason therefor decline to register any transfer of any share (not being a fully paid-up share). If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.
43. The Directors may also decline to register any transfer unless:-
 - (a) the instrument of transfer is in respect of only one class of share;
 - (b) in the case of a transfer to joint holders, the number of transferees does not exceed four;
 - (c) the shares concerned are free of any lien in favour of the Company;
 - (d) the instrument of transfer is properly stamped;
 - (e) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;
 - (f) a fee not exceeding the maximum fee prescribed or permitted from time to time by the Stock Exchange is paid to the Company in respect thereof;
 - (g) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
44. No transfer may be made to an infant or to a person of unsound mind or under other legal disability.

TRANSMISSION OF SHARES

45. In the case of the death of a member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder, whether sole or joint, from any liability in respect of any share solely or jointly held by him.
46. Any person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall, upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the shares upon giving to the Company notice in writing of such his desire or to transfer such shares to some other person. All the limitations, restrictions and provisions of these Articles and the Ordinance relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as if the same were a transfer of shares by a member, including the Directors' right to refuse or suspend registration.

47. A person becoming entitled to shares in the Company in consequence of the death, bankruptcy or winding-up of any member or otherwise by operation of law or by court order shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the shares, provided always that the Directors may at any time give notice requiring any such person to elect to be registered himself or to transfer the shares, and if the notice is not complied with within sixty days, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the shares until the requirements of the notice have been complied with but subject to the requirements of Article 73 being met, such a person may vote at meetings.

INCREASE OF CAPITAL

48. A general meeting resolving upon the creation of any new shares may direct that the same or any of them shall be offered in the first instance, to all the holders for the time being of any class of shares in the capital of the Company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Directors, and Article 9 shall apply thereto. The Company may exercise any powers conferred or permitted by the Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares at any price or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares in the Company and should the Company purchase or otherwise acquire its own shares neither the Company nor the Board shall be required to select the shares to be purchased or otherwise acquired ratably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the Securities and Futures Commission from time to time in force.
49. Subject to any direction or determination that may be given or made in accordance with the powers contained in these Articles, all new shares created shall be subject to the same provisions herein contained with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as the existing shares of the Company.

ALTERATIONS OF SHARE CAPITAL

50. The Company may by ordinary resolution:-
- (a) subdivide its existing shares or any of them into a larger number of shares provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares;
 - (b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
 - (c) consolidate and divide its capital or any part thereof into a larger or smaller number of shares than its existing shares;

- (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person;
 - (e) make provision for the issue and allotment of shares which do not carry any voting rights; and
 - (f) generally alter its share capital in any one or more of the ways permitted under the Ordinance.
51. The Company may by special resolution reduce its share capital in any manner allowed by law.
52. Where any difficulty arises in regard to any consolidation and division under paragraph (c) of Article 50, the Directors may settle the same as they think expedient and in particular may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the members who would have been entitled to the fractions, and for this purpose the Directors may authorise some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

MODIFICATION OF RIGHTS

53. All or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may subject to the provisions of the Ordinance, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in these Articles relating to general meetings shall mutatis mutandis apply to every such meeting but so that the quorum thereof shall be not less than two persons holding or representing by proxy one third of the total voting rights of holders of shares of the class, and that any holder of shares of that class present in person or by proxy may demand a poll.
54. The provisions of the foregoing Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.
55. The special rights conferred upon the holders of the shares or class of shares shall not unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.

GENERAL MEETINGS

56. The Company shall in respect of each financial year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held within 6 months after the end of each financial year and at such place(s) as may be determined by the Directors. All other general meetings shall be called extraordinary general meetings.
57. The Directors may whenever they think fit, and shall on requisition in accordance with the Ordinance, proceed to convene an extraordinary general meeting.

58. A general meeting may be held at two or more places using any technology that enables members who are not together at the same place to listen, speak and vote at such meeting.

NOTICE OF GENERAL MEETINGS

59. Subject to section 578 of the Ordinance, an annual general meeting shall be called by not less than 21 days' notice in writing, and any other general meeting shall be called by not less than 14 days' notice in writing. The notice shall specify the place(s), date and time of meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company.
60. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in these Articles or required by the Ordinance, it shall be deemed to have been duly called if it is so agreed:-
- (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
 - (b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent of the shares giving that right.
61. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

62. No business save the election of a chairman of the meeting shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.
63. If, within fifteen minutes from the time appointed for the meeting a quorum be not present, the meeting, if convened upon requisition in accordance with the Ordinance, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place(s), or to such other day, time and place(s) as the Chairman of the meeting may determine. If at such adjourned meeting a quorum be not present within fifteen minutes from the time appointed for the meeting, the member or members present in person or by proxy shall be a quorum and may transact the business for which the meeting is called.
64. The Chairman (if any) of the Board or, in his absence, a Deputy Chairman (if any) shall preside as Chairman at every general meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor a Deputy Chairman is present within fifteen minutes after the time appointed for holding the meeting, or if neither of them is willing to act as Chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as Chairman if willing to act. If no Director is present, or if each of the Directors present declines to act as Chairman, the persons present and entitled to vote shall elect one of their number to be Chairman of the meeting.

65. The Chairman of any general meeting at which a quorum is present may, with the consent of the meeting, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place(s) to place(s) or sine die; but no business shall be transacted at any adjourned meeting other than business which might have been transacted at the meeting from which the adjournment took place unless due notice thereof is given or such notice is waived in the manner prescribed by these Articles. When a meeting is adjourned for thirty days or more, or sine die, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjourned meeting or the business to be transacted thereat. Where a meeting is adjourned sine die the time and place(s) for the adjourned meeting shall be fixed by the Directors.

VOTING

66. (a) At any general meeting a resolution put to the vote of the meeting shall be decided on a poll demanded by:-
- (i) the Chairman of the meeting; or
 - (ii) at least three members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
 - (iii) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than 5 per cent. of the total voting rights of all members having the right to attend and vote at the meeting; or
 - (iv) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than 5 per cent. of the total sum paid up on all shares conferring that right,
- provided that a resolution put to the vote of the meeting may be decided on a show of hands to the extent permitted by HKSE Listing Rules.
- (b) Subject to Article 66(a), a declaration by the Chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.
67. A demand for a poll may be withdrawn only with the approval of the Chairman of the meeting, at any time before the close of the meeting or the taking of the poll, whichever is earlier. If a poll be directed or demanded in the manner (including the use of ballot or voting papers or tickets) above mentioned it shall (subject to the provisions of Article 69 hereof) be taken at such time (being not later than thirty days after the date of the demand) and in such manner as the Chairman of the meeting may appoint. No notice need be given of a poll not taken immediately. The result of such poll shall be deemed for all purposes to be the resolution of the meeting at which the poll was so directed or demanded.
68. In the case of an equality of votes at any general meeting, whether upon a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.

69. A poll demanded upon the election of a Chairman or upon a question of adjournment shall be taken forthwith. Any business, other than that upon which a poll has been demanded, may be proceeded with pending the taking of the poll.
70. (a) Save as expressly provided in these Articles, no person other than a member duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member) either personally or by proxy, or to be reckoned in a quorum at any general meeting.
- (b) No objection shall be made to the validity of any vote except at a meeting at which such vote shall be tendered and every vote whether given personally or by proxy not disallowed at such meeting shall be deemed valid for all purposes whatsoever of such meeting or poll.
- (c) In case of any dispute as to voting the Chairman shall determine the same, and such determination shall be final and conclusive.
71. Subject to the provisions of the Ordinance, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. A written notice of confirmation of such resolution in writing signed by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents each signed by or on behalf of one or more members.

VOTES OF MEMBERS

72. Subject to the provisions of the Ordinance, Article 76, Article 83 and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under section 606 of the Ordinance at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.
73. Any person entitled under Article 47 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.
74. On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
75. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis or other person in the nature of a committee or curator bonis appointed by that court, and any such committee, curator bonis or other person may on a poll, vote by proxy. If any member be a minor he may vote by his guardian or one of his guardians who may give their votes personally or by proxy.

76. Where a member is, under the HKSE Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

PROXIES

77. (a) A proxy need not be a member of the Company.
- (b) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may accept, and shall be deemed, subject to the provision hereinafter contained, to confer authority upon the proxy to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit.
- Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member according to his intention to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business and shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.
78. The instrument appointing a proxy shall be signed by the appointor, or his duly authorised attorney, or if such appointor be a corporation, under its common seal or signed by some officer, attorney or other person duly authorised in that behalf.
79. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office at least forty-eight hours before the time fixed for holding the meeting at which the person named in such instrument proposes to attend and vote or, in the case of a poll, at least twenty-four hours before the time appointed for the taking of the poll; otherwise the person so named shall not be entitled to vote at that meeting (or as the case may be) except with the approval of the Chairman of the meeting. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
80. Any member may by power of attorney appoint any person to be his attorney for the purpose of attending and voting at any meeting, and such power may be a special power limited to any particular meeting or a general power extending to all meetings at which such member is entitled to vote. Every such power shall be deposited at the Office at least forty-eight hours before the time fixed for holding the meeting at which such attorney proposes to attend and vote or, in the case of a poll, at least twenty-four hours before the time appointed for the taking of the poll; otherwise the attorney shall not be entitled to vote at that meeting (or as the case may be) except with the approval of the Chairman of the meeting.
81. (a) An instrument of proxy may be revoked by forwarding to the Office written notification of such revocation signed by or on behalf of the person who issued or authorised the issue of the instrument of proxy.

- (b) A vote given in accordance with the terms of an instrument of proxy or power of attorney or by the duly authorised representative of a corporation shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or power of attorney or other authority, or transfer of the shares in respect of which the proxy is given, provided no intimation in writing of the death, insanity, revocation or transfer shall have been received at the Office at least twenty-four hours before the time fixed for holding the meeting, or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.
82. Any corporation which is a member of the Company may, by resolution of its Directors or other governing body or by power of attorney, authorise such persons as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. References in these Articles to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented at the meeting by such duly authorised representative.
83. Without prejudice to the generality of the provisions of the Ordinance and Article 82 if a Clearing House (or its nominee) is a member of the Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its proxy and proxies or representative or representatives at any meeting of the Company or at any meeting of any class of member of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provisions of this Article shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise if it were an individual member of the Company.

DIRECTORS

84. Unless and until otherwise determined by an ordinary resolution of the Company, the Directors shall be not fewer than two in number, and there shall be no maximum number of Directors.
85. The Company shall keep in accordance with the Ordinance a register containing the names and addresses and occupations of its Directors and shall from time to time notify to the Registrar of Companies any change that takes place in such Directors as required by the Ordinance.
86. A Director need not hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

DIRECTORS' REMUNERATION

87. (a) The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by resolution by which it is voted) is to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company in the case of sums paid in respect of directors' fees.
- (b) The Directors shall also be entitled to be repaid their reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or on the discharge of their duties as directors.

88. The Directors may award special remuneration out of the funds of the Company (by way of salary, commission or otherwise as the Directors may determine) to any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director.

POWERS OF DIRECTORS

89. The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Hong Kong or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents for the Company, and may fix their remuneration, and may delegate (with or without power to sub-delegate as the Directors shall determine) to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
90. The Directors may from time to time and at any time by power of attorney or other instrument appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other instrument may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub delegate all or any of the powers, authorities and discretions vested in him. The Company may, by writing under its seal, empower any person, either generally or in respect of any specified matter, as its attorney to execute deeds and instruments on its behalf and to enter into contracts and sign the same on its behalf and every deed signed by such attorney on behalf of the Company and under his seal shall bind the Company and have the same effect as if it were executed by or under the seal of the Company.
91. Subject to and to the extent permitted by the Ordinance, the Company or the Directors on behalf of the Company, may cause to be kept in any territory a Branch Register of members resident in such territory, and the Directors may make and vary such regulations as they may think fit respecting the keeping of any such Branch Register.
92. All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine. The Company's bank accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

93. (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Debentures, debenture stocks, bonds and other securities of the Company may be made assignable free from any equities between the Company and the person to which the same may be issued, and may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
- (b) The Directors shall cause a proper register to be kept, in accordance with the provisions of the Ordinance, of all mortgages and charges affecting the property of the Company and shall duly comply with the requirements of the Ordinance in regard to the registration of mortgages and charges therein specified and otherwise. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the members or otherwise, to obtain priority over such prior charge.
94. The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the wives, widows, families and dependents of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

APPOINTMENT AND REMOVAL OF DIRECTORS

95. At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices.
96. If at any general meeting at which an election of Directors ought to occur the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be re-elected by way of separate resolutions voted on individually and shall, if willing, continue in office until the next annual general meeting and so on from year to year until their places are filled, unless:-
- (i) it shall be determined at such meeting to reduce the number of Directors;
 - (ii) it is expressly resolved at such meeting not to fill up such vacated offices;
 - (iii) in any such case the resolution for re-election of a Director is put to the meeting and lost; or
 - (iv) such Director has given notice in writing to the Company that he is not willing to be re-elected.

97. The Company may, from time to time, by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.
98. The Company may by ordinary resolution remove any Director notwithstanding anything in these Articles or in any agreement between him and the Company (but without prejudice to any right to damages for termination of such agreement not in accordance with the terms thereof), and may, if thought fit, by ordinary resolution appoint another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.
99. The Directors shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time (if any) by the shareholders in general meeting and any directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.
100. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose. If there shall be no Directors able or willing to act, then any two members may summon a general meeting for the purpose of appointing Directors.
101. No person other than a retiring Director shall, unless recommended by the Board for re-election, be eligible for election to the office of Director at any annual general meeting unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected, shall have been lodged at the office or principal office of the Company during a period of not less than seven days commencing no earlier than the despatch of the notice of the annual general meeting and at least seven days before the date of the annual general meeting.

ALTERNATE DIRECTORS

102. Each Director may by written notification to the Company nominate any other person to act as alternate Director in his place and at his discretion in similar manner remove such alternate Director. If such person is not another Director, such appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved. The alternate Director shall (except as regards the power to appoint an alternate) be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company; and each alternate Director, whilst acting as such, shall exercise and discharge all the functions, powers and duties of the Director he represents, but shall look to such Director solely for his remuneration as alternate Director. Every person acting as an alternate Director shall (except when absent from Hong Kong) be entitled to receive notices of meetings of the Board and shall have one vote for each Director for whom he acts as alternate at any such meeting at which the Director appointing him is not personally present (in addition to his own vote if he is also a Director). The signature of an alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor. Any Director of the Company who is appointed an alternate director shall be considered as two Directors for the purpose of making a quorum of Directors. Any person appointed as an alternate Director shall vacate his office as such alternate Director if and when the Director by whom he has been appointed removes him or vacates office as Director. A Director shall not be liable for the acts or defaults of any alternate Director appointed by him. To such extent as the Board may from time to time determine in relation to any committee of the Board, the foregoing provisions of this paragraph shall also apply mutatis mutandis to any meeting of any committee of which his appointor is a member. An alternate Director shall not, save as aforesaid, have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Articles.

DISQUALIFICATION OF DIRECTORS

103. The office of a Director shall ipso facto be vacated:-
- (a) if he becomes prohibited by law or court order from being a Director;
 - (b) if a receiving order or in the case of a company a winding-up order is made against him or he makes any arrangement or composition with his creditors;
 - (c) if he becomes of unsound mind;
 - (d) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;
 - (e) if he shall be removed from office by notice in writing served upon him signed by all his co-directors;
 - (f) if he resigns his office;
 - (g) if he is removed by a special resolution of the Company; or
 - (h) if he is convicted of an indictable offence.

DIRECTORS' INTERESTS

104. If a Director (or an entity connected with a Director) is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with the Company, such Director shall declare the nature and extent of his interest in accordance with the provisions of the Ordinance. A general notice given to the Directors by a Director to the effect that he is a member or a director of a specified company or firm, and is to be regarded as interested in any contract, transaction, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall, for the purpose of this Article, be deemed to be a sufficient disclosure of interest in relation to any contract, transaction, arrangement or dealing so entered into or made.

105. Subject to section 534 of the Ordinance, a Director may hold any other office or place of profit under the Company (other than the office of Auditor), and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article. No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any contract, transaction or arrangement entered into by or on behalf of the Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits realised by any such contract, transaction or arrangement by reason only of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall disclose the nature and extent of his interest in any contract, transaction or arrangement in which he is interested at the meeting of the board at which the question of entering into the contract, transaction or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.
106. A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or transaction or arrangement or proposal in which he or any of his Associates, is to his knowledge, materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters, namely:-
- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associates has himself or themselves assumed responsibility or guaranteed or secured in whole or in part whether alone or jointly;
 - (iii) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Associates are or are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his Associates are interested whether directly or indirectly as an officer or a shareholder or in which the Director or his Associates are beneficially interested in shares of that company other than a company in which the Director and any of his Associates are beneficially interested in 5 per cent. or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his Associates is derived) or of the voting rights (excluding for the purpose of calculating such 5 per cent. interest any indirect interest of such Director or his Associates by virtue of an interest of the Company in such company);
 - (vi) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his Associates and employees of the Company or of any of its subsidiaries and does not give the Director or his Associates any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
 - (vii) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his Associates may benefit.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman as known to such chairman has not been fairly disclosed to the Board.

107. A Director may continue to be or become a director, managing director, joint managing director, executive director or manager or other officer or member of any other company in which the Company is interested, and (unless otherwise agreed) shall not be liable to account to the Company for any remuneration or other benefits received by him as a director, managing director, joint managing director, executive director, manager or other officer or member of any such other company. The Board may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by it as directors of such other company in such manner as in all respects as the Board thinks fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) and any director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or be about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid. A Director of the Company may be or become a director of any company promoted by the Company or in which it may be interested as a vendor, shareholder or otherwise and no such Director will be accountable for any benefits received as a director or member of such company. A Director of the Company or his firm may not act as auditor of the Company.

CHIEF EXECUTIVE OFFICERS AND OTHER APPOINTMENTS

108. Subject to section 534 of the Ordinance, the Directors may, from time to time, appoint one or more of their number to be Chief Executive Officer or Joint Chief Executive Officer of the Company, or to hold such office in the management, administration or conduct of the business of the Company as they may decide, and for such period and upon such terms and for such remuneration as the Directors shall think fit, and the Directors may also, from time to time (subject to the provisions of any agreement between him or them and the Company) remove him or them from office, and appoint another or others in his or their place or places.
109. A Chief Executive Officer or a Joint Chief Executive Officer (subject to the provisions of any agreement between him and the Company) shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and shall ipso facto and immediately cease to be Chief Executive Officer or Joint Chief Executive Officer if he shall cease to hold the office of Director.

110. The Directors may, from time to time, entrust to and confer upon any Chief Executive Officer, Joint Chief Executive Officer or Director, holding any other office in the management, administration or conduct of the business of the Company, such of the powers exercisable under these Articles by the Directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they may consider expedient, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF DIRECTORS

111. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined by the Board, two Directors shall constitute a quorum. For the purpose of this Article an alternate Director shall be counted in a quorum but, notwithstanding that an alternate Director is also a Director or is an alternate for more than one Director, he shall for quorum purposes count as only one Director. Matters arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote. A Director or the Secretary may, at any time, summon a meeting of the Directors. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
112. Notice of a meeting of Directors shall be deemed to be duly given to a Director if it is given to him personally, in writing or by word of mouth, or sent to him at his last known address or any other address given by him to the Company for this purpose provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong. A Director may consent to short notice of and may waive notice of any meeting and any such waiver may be retrospective.
113. The Directors may elect a Chairman of the Board and determine the period for which he is to hold office; but if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting.
114. A resolution in writing signed by all the Directors except such as are absent from Hong Kong or temporarily unable to act through ill health or disability (or their alternate Directors) shall (so long as they constitute a quorum) be as effective for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted. A written notification of confirmation of such resolution in writing signed by a Director shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents, each signed by one or more Directors.
115. A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board generally.
116. The Directors may, from time to time, appoint committees consisting of such one or more persons as they think fit, and may delegate any of their powers to any such committee and, from time to time, revoke any such delegation and discharge any such committee wholly or in part. Any committee so appointed shall, in the exercise of the powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Directors. All acts done by any such committee in conformity with such regulations and in fulfilment of the purposes for which it is appointed, but not otherwise, shall have the like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any special committee, and charge such remuneration to the current expenses of the Company.

117. The meetings and proceedings of any such committee consisting of two or more members shall be governed mutatis mutandis by the provisions of these Articles regulating the meetings and proceedings of the Directors, insofar as the same are not superseded by any regulations made by the Directors under the last preceding Article.
118. All acts done bona fide by any meeting of the Directors or of a committee of Directors, or by any persons acting as Directors, shall, notwithstanding that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, or had vacated office, be as valid as if every such person had been duly appointed and was qualified and continued to be a Director.

MINUTES

119. The Directors shall cause to be entered and kept in books provided for the purpose minutes of the following:-
 - (a) all appointments of officers;
 - (b) all the names of the Directors and any alternate Director who is not also a Director present at each meeting of the Directors and of any committee; and
 - (c) all resolutions and proceedings of general meetings and of meetings of the Directors and committees.

Any such minutes of any meeting of the Directors, or of any committee, or of the Company, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting shall be receivable as evidence of the proceedings of such meeting.

THE SEAL

120. The Directors shall procure a common seal to be made for the Company, and shall provide for the safe custody thereof. The Seal shall not be affixed to any instrument except by the authority of the Directors or a committee authorised by the Board in that behalf, and every instrument to which the Seal shall be affixed shall be signed by one Director or some other person nominated by the Directors for the purpose, provided that the Board may either generally or in any particular case or cases resolve (subject to such restrictions as to the manner in which the seal may be affixed as the Board may determine) that such signature may be affixed to certificates for shares or debentures or representing any other form of security by some mechanical means other than autographic to be specified in such resolution or that such certificates need not be signed by any person. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Directors previously given.
121. The Company may have an official seal for use for sealing certificates for shares or other securities issued by the Company as permitted by section 126 of the Ordinance (and no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document to which such official seal or a mechanical reproduction of the impression of such official seal is affixed and such certificates or other document shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction of such signature as aforesaid) and an official seal for use abroad under the provisions of the Ordinance where and as the Board shall determine, and the Company may by writing under the seal appoint any agents or agent, committees or committee abroad to be the duly authorised agents of the Company for the purpose of affixing and using such official seal and may impose such restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the seal, the reference shall, when and so far as may be applicable, be deemed to include any such official seal as aforesaid.

122. The Company may exercise all the powers of having official seals conferred by the Ordinance and such powers shall be vested in the Directors.

SECRETARY

123. The Directors shall appoint such person, persons or entities to be Secretary or Joint Secretaries of the Company for such period, at such remuneration and upon such conditions as they may think fit, and any Secretary or Joint Secretaries so appointed may be removed by them. Anything by the Ordinance or these Articles required or authorised to be done by or to the Secretary or Joint Secretaries, if the office is vacant or there is for any other reason no person capable of acting in the capacity as Secretary or Joint Secretaries, may be done by or to any assistant or deputy Secretary, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specially in that behalf by the Board.

DIVIDENDS AND RESERVES

124. The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.
125. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.
126. The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts and liabilities in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.
127. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall mutatis mutandis apply to capitalisations to be effected in pursuance of these Articles.
128. Any general meeting sanctioning a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call shall be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the member, be set off against the call.

129. (a) In respect of any dividend which the Board has resolved to pay or any dividend declared or sanctioned or proposed to be declared or sanctioned by the Board or by the Company in general meeting, the Board may determine and announce, prior to or contemporaneously with the announcement, declaration or sanction of the dividend in question:-

either

- (i) that shareholders entitled thereto will receive in lieu of such dividend (or such part thereof as the Board may think fit) an allotment of shares credited as fully paid provided that the shareholders are at the same time accorded the right to elect to receive such dividend (or part thereof as the case may be) in cash in lieu of such allotment. In such case, the following provisions shall apply:-
 - (A) the basis of any such allotment shall be determined by the Board;
 - (B) the Board, after determining the basis of allotment and notwithstanding that the number of shares to be allotted may not be calculated until after notice to the shareholders has been given as required by the provisions of this sub-paragraph and subject to the provisions of sub-paragraph (D) below, shall give notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective which shall be not less than two weeks from the date on which the notice above referred to was despatched to the shareholders;
 - (C) the right of election accorded to shareholders as aforesaid may be exercised in whole or in part;
 - (D) the Board may resolve:-
 - (I) that the right of election accorded to shareholders as aforesaid may be exercised so as to take effect on all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (i) of this paragraph (a); and/or
 - (II) that a shareholder who does not exercise the right of election accorded to him as aforesaid either in whole or in part may notify the Company that he will not exercise the right of election accorded to him in respect of all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (i) of this paragraph (a) of this Article.

Provided that a shareholder may exercise such election or give such notice in respect of all but not some of the shares held by him and may at any time give seven days notice in writing to the Company of the revocation of such an election or such a notice which revocation shall take effect at the expiry of such seven days, and until such revocation has taken effect, the Board shall not be obligated to give to such shareholder notice of the right of election accorded to him or send to him any form of election;

- (E) the dividend (or that part of the dividend in lieu of which an allotment of shares is to be made as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised (the "Non-Elected Shares") and in lieu thereof shares shall be allotted credited as fully paid to the holders of the Non-Elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of the amount standing to the credit of share capital account or out of any part of the undivided profits of the Company as the Board may determine, a sum equal to the value of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Non-Elected Shares on such basis;

or

(ii) that shareholders entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:-

- (A) the basis of any such allotment shall be determined by the Board;
- (B) the Board, after determining the basis of allotment and notwithstanding that the number of shares to be allotted may not be calculated until after notice to the shareholders has been given as required by the provisions of this sub-paragraph and subject to the provisions of sub-paragraph (D) below, shall give notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective which shall be not less than two weeks from the date on which the notice above referred to was despatched to the shareholders;
- (C) the right of election accorded to shareholders as aforesaid may be exercised in whole or in part;
- (D) the Board may resolve:-
 - (I) that the right of election accorded to shareholders as aforesaid may be exercised so as to take effect on all future occasions (if any) when the Board makes a determination pursuant to sub-paragraph (ii) of this paragraph (a); and/or
 - (II) that a shareholder who does not exercise the right of election accorded to him as aforesaid either in whole or in part may notify the Company that he will not exercise the right of election accorded to him in respect of all future occasions (if any) when the Board makes determination pursuant to sub-paragraph (ii) of paragraph (a).

Provided that a shareholder may exercise such election or give such notice in respect of all but not some of the shares held by him and may at any time give seven days notice in writing to the Company of the revocation of such an election or such a notice which revocation shall take effect at the expiry of such seven days, and until such revocation has taken effect, the Board shall not be obliged to give to such member notice of the right of election accorded to him or send to him any form of election;

- (E) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised (the "Elected Shares") and in lieu thereof shares shall be allotted credited as fully paid to the holders of the Elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of the amount standing to the credit of share capital account or out of any part of the undivided profits of the Company as the Board may determine, a sum equal to the value of shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the Elected Shares on such basis.

- (b) The shares allotted pursuant to the provisions of paragraph (a) of this Article shall rank *pari passu* in all respects with the fully paid shares then in issue save only as regards participation:-
- (i) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
 - (ii) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (i) or (ii) of paragraph (a) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (a) of this Article shall rank for participation in such distribution, bonus or rights.
- (c) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (a) of this Article with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the members concerned). The Board may authorise any person to enter into on behalf of all members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (d) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (a) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shares to elect such dividend in cash in lieu of such allotment.
- (e) The Board may on any occasion when it makes a determination pursuant to paragraph (a) of this Article, resolve that no allotment of shares or rights of election for shares to be issued pursuant to such determination shall be made available or made to any shareholders with registered addresses in any particular territory or territories or to a Depository where the allotment of shares or the circulation of an offer of such rights of election would or might, in the opinion of the Board, be unlawful or would or might, in the opinion of the Board, be unlawful in the absence of a registration statement or other special formalities, and in such event the provision aforesaid shall be read and construed subject to such resolution and the only entitlement of shareholders in any such territory or territories shall be to receive in cash the relevant dividend resolved to be paid or declared. "Depository" means a custodian or other person (or a nominee for such custodian or other person) appointed under contractual arrangements with the Company or other arrangements approved by the Board whereby such custodian or other person or nominee holds or is interested in shares of the Company or rights or interests in shares of the Company and issues securities or other documents of title or otherwise evidencing the entitlement of the holder thereof to or to receive such shares, rights or interests, provided and to the extent that such arrangements have been approved by the Board for the purpose of these Articles and shall include, where approved by the Board, the trustees (acting in their capacity as such) of any employees' share scheme established by the Company or any other scheme or arrangements principally for the benefit of employees of the Company and/or its subsidiaries which have been approved by the Board.

- (f) The Board may at any time resolve to cancel all (but not some only) of the elections made and the notices given by the shareholders pursuant to sub-paragraphs (i)(D) and (ii)(D) of paragraph (a) of this Article by giving seven days notice in writing to the relevant shareholders.
 - (g) The Board may on any occasion determine that rights of election under paragraph (a) of this Article shall not be made available to shareholders who are registered in the register of shareholders, or in respect of shares the transfer of which is registered, after a date fixed by the Board and in such event the provisions aforesaid shall be read and construed subject to such determination.
130. No dividend shall be payable except out of the profits of the Company, and no dividend shall bear interest as against the Company.
131. The Directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the Directors to be justified. If at any time the share capital of the Company is divided into different classes the Directors may resolve to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividend, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the payment is justified.
132. All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, and all dividends unclaimed for six years after having become payable may be forfeited by the Directors and shall revert to the Company. The payment into a separate account of any monies payable in respect of a dividend shall not constitute the Company a trustee in respect thereof for any person.
133. Unless otherwise directed any dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled, or, in the case of joint holders, to the registered address of that one whose name stands first on the Register in respect of the joint holding, or addressed to such person at such address as the holder or joint holders shall direct. The Company shall not be liable or responsible for any cheque or warrant lost in transmission nor for any dividend or other monies lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant. Payment of the cheque or warrant by the banker on whom it is drawn shall be a good discharge to the Company.
134. The Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend any of the assets of the Company, and in particular any shares or securities of other companies to which the Company is entitled and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Ordinance and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend and such appointment shall be effective.

135. Before recommending a dividend the Directors may set aside any part of the net profits of the Company, and may apply the same either by employing it in the business of the Company or by investing it in such manner as they shall think fit and the income arising from such net profits shall be treated as part of the profits of the Company. Such net profits may be applied for the purpose of maintaining the property of the Company, replacing wasting assets, meeting contingencies, forming an insurance fund, equalising dividends, paying special dividends, or for any other purpose for which the undivided profits of the Company may lawfully be used, and until the same shall be so applied it shall be deemed to remain undivided profit. The Directors may also carry forward as undivided profit any profit or balance of profit which they shall not think fit to recommend as dividend or to set aside.

AUTHENTICATION OF DOCUMENTS

136. Any Director or the Secretary or other authorised officer of the Company shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies of extracts; and where any books, records, documents or accounts are elsewhere than at the Office, the local manager or such other officer of the Company having the custody thereof shall be deemed to be the authorised officer of the Company as aforesaid. A document purporting to be a copy of a resolution or an extract from the minutes of a meeting of the Company or of the Directors or any local board or committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

CAPITALISATION OF PROFITS

137. The Company in general meeting may upon the recommendation of the Directors resolve to capitalise any part of the Company's undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to a dividend, and accordingly that such part be divided amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied as a capitalisation issue either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures or other securities of the Company to be allotted and distributed credited as fully paid to and amongst such members in the proportion aforesaid, or partly in one way and partly in the other:-
- Provided that any amount standing to the credit of the share capital account may, for the purposes of this Article, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid-up shares.

138. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid-up shares, debentures or other securities and generally shall do all acts and things required to give effect thereto.
139. For the purpose of giving effect to any resolution under Articles 134 and 137 hereof the Directors may settle any difficulty which may arise in regard to the distribution or capitalisation issue as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any members based upon the value so fixed or that fractions of such value as the Directors may determine may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the distribution or capitalisation issue as may seem expedient to the Directors. The provisions of the Ordinance in relation to the filing of contracts for allotment shall be observed, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the distribution or capitalisation issue, and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.

ACCOUNTS AND AUDITORS

140. The Directors shall cause proper books of account to be kept with respect to:-
- (a) all sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place; and
 - (b) the assets and liabilities of the Company.
- Proper books shall not be deemed to be kept if there are not kept such books of accounts as are necessary to give a true and fair view of the transactions.
141. The Directors shall from time to time, in accordance with the provisions of the Ordinance, cause to be prepared and to be laid before the Company in general meeting such statements of comprehensive income, statements of financial position, group accounts (if any) and reports as are required by the Ordinance.
142. A copy of every statement of financial position (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' report and a copy of the Auditors' report, shall not less than twenty-one days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to all persons other than members or holders of debentures of the Company, being persons entitled to receive notices of general meetings of the Company:-
- Provided that this Article shall be subject to Article 144 and shall not require a copy of those documents to be sent to any person of whose address the Company is not aware, to more than one of the joint holders of any shares or debentures, nor to any person to whom the Company has duly sent a copy of a summary financial report (as defined in the Ordinance) in accordance with the provisions of the Ordinance and Article 143.
143. Subject to Article 144, a copy of a summary financial report in the form and containing the contents as required by the Ordinance shall be sent by the Company in accordance with the provisions of the Ordinance to a person who has been offered and agreed, in accordance with the provisions of the Ordinance, to be sent a copy of such summary financial report.

144. Where a person has, in accordance with the provisions of the Ordinance where applicable, consented to treat the publication or the making available of the relevant financial documents and/or the summary financial report (each as defined in the Ordinance) on a computer network or by such other means as discharging the Company's obligation under the Ordinance to send a copy of the relevant financial documents and/or the summary financial report (each as defined in the Ordinance), then the publication or the making available by the Company, in accordance with the provisions of the Ordinance where applicable, on such computer network or by such other means of the relevant financial documents or the summary financial report (each as defined in the Ordinance) shall, in relation to each consenting person, be deemed to discharge the Company's obligations under Article 142 and/or Article 143.
145. Auditors shall be appointed and their duties regulated in the manner provided by the Ordinance.
146. Subject as otherwise provided by the Ordinance the remuneration of the Auditors shall be fixed by the Company in general meeting provided always that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.
147. Every statement of accounts audited by the Company's Auditors and presented by the Board at a general meeting shall after approval at such meeting be conclusive except as regards any error discovered therein within three months of the approval thereof. Whenever any such error is discovered within that period, it shall forthwith be corrected, and the statement of account amended in respect of the error shall be conclusive.

NOTICES

148. Any notice, document or communication to be given or issued shall be in writing in any one or more languages to the members, may be served by the Company upon any member either personally or by sending it by mail, postage prepaid, addressed to such member at his registered address, and, in any case where the registered address of a member is outside Hong Kong, by prepaid airmail, or may be delivered, sent or otherwise made available using electronic or other means to such member.
149. Any notice sent by mail shall be deemed to have been served in the case where the member's registered address is in Hong Kong on the day following that on which the notice is mailed in Hong Kong and in any other case on the fifth day after the day of mailing. In proving such service it shall be sufficient to prove that the notice was properly addressed and mailed, postage prepaid.
150. Any person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which, previously to his name and address being entered in the Register, shall be duly given to the person from whom he derives his title to such share.
151. Any notice, document or communication delivered or sent by mail to, or left at the registered address of or made available using electronic or other means to any member, in pursuance of these Articles, shall, notwithstanding such member be then deceased or bankrupt, and whether or not the Company have notice of his decease or bankruptcy, be deemed of have been duly served in respect of any shares held by such member, whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these Articles be deemed a sufficient service of such notice, document or communication on his executors, administrators or assigns and all persons (if any) jointly interested with him in any such share.

152. Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid letter, envelope or wrapper, addressed to the Company or to such officer at the Office.
153. The signature to any notice to be given by the Company may be written or printed.
154. Subject to any special provisions contained in these Articles or in the Ordinance, all notices required to be given by advertisement shall be advertised in at least one daily Chinese and one daily English newspaper circulating in Hong Kong.
155. In reckoning the period for any notice given under these Articles, the day on which notice is served, or deemed to be served, and the day for which such notice is given shall be excluded.

WINDING UP

156. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. This Article is, however, subject to the rights of the holders of any shares which may be issued on special terms or conditions.
157. If the Company shall be wound up, the liquidator (whether voluntary or official) may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company or vest any part of the assets of the Company in trustees upon such trusts for the benefit of the members or any of them as the resolution shall provide. Any such resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing rights, but each member shall in that event have a right of dissent and other ancillary rights in the same manner as if such resolution were a special resolution passed pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).
158. In the event of a winding-up of the Company in Hong Kong, every member of the Company who is not for the time being in Hong Kong shall be bound, within fourteen days after the passing of an effective resolution to wind up the Company voluntarily, or within the like period after the making of an order for the winding up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong upon whom all summonses, notices, processes, orders and judgements in relation to or under the winding-up of the Company may be served and, in default of such nomination, the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertising in such English language daily newspaper circulating in Hong Kong as he shall deem appropriate or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register, and such notice shall be deemed to be served on the day on which the advertisement appears or the letter is posted.

INDEMNITY

159. Subject to the provisions of the Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto and in particular and without prejudice to the generality of the foregoing every Director and other officer of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses which any such Director and other officer may incur or become liable for by reason of any contract entered into, or act or thing done by him or them as such Director and other officer, or in any way in the discharge of their or his duties, including travelling expenses; and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company, and have priority as between the members over all other claims. Any person who is a Director or other officer of the Company shall not be liable (except in consequence of his own dishonesty) for the acts, receipts, neglects or defaults of any other Director or other officer of the Company or for any losses or expenses incurred by the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects of the Company shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on their or his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto.

UNTRACEABLE SHAREHOLDERS

160. Without prejudice to the rights of the Company, the Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.
161. The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:-
- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of Association of the Company have remained uncashed;
 - (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
 - (iii) the Company has caused a notice to be published in accordance with section 164 of the Ordinance; and
 - (iv) the Company has notified the stock exchange in the relevant territory of its intention to effect such sale.

For the purpose of the foregoing, 'relevant period' means the period commencing twelve years before the date of publication of the notice referred to in paragraph (iii) of this Article and ending at the expiry of the period referred to in that paragraph.

The manner, timing and terms of any sale of shares pursuant to this Article (including but not limited to the price or prices at which the same is made) shall be such as the Board determines, based upon advice from such bankers, brokers or other persons as the Board considers appropriate consulted by it for the purposes, to be reasonably practicable having regard to all the circumstances including the number of shares to be disposed of and the requirement that the disposal be made without delay and the Board shall not be liable to any person for any of the consequences of reliance on such advice.

162. To give effect to any such sale pursuant to Article 161 the Board may authorise any person to transfer the said shares and the instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and, upon receipt by the Company of such proceeds, it shall become indebted to the former shareholder by carrying all moneys in respect thereof to a separate account for an amount equal to such net proceeds. No trusts shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall include any additional shares which during the relevant period or during any period ending on the date when all the requirements of sub-paragraphs (i) to (iii) of Article 161 have been satisfied have been issued in respect of those held at the beginning of such relevant period and shall be valid and effective notwithstanding that the shareholder holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

Names, Address and Descriptions of Subscribers

China Telecom (Hong Kong) Group Limited
(中國電信 (香港) 集團有限公司)
Hong Kong company no. 569288 of
16/F., Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai,
Hong Kong

For and on behalf of
CHINA TELECOM (HONG KONG) GROUP LIMITED
(中國電信 (香港) 集團有限公司)

(Sd.) Chen Zhaobin

CORPORATION

Director

China Telecom Hong Kong (BVI) Limited
BVI I.B.C. company no. 244168, of
P.O. Box 957,
Offshore Incorporations Centre,
Road Town, Tortola,
British Virgin Islands

For and on behalf of
CHINA TELECOM HONG KONG (BVI) LIMITED

(Sd.) Chen Zhaobin

CORPORATION

Dated the 29 day of August, 1997

WITNESS to the above signatures

Celia C.L. Lam (Sd. Celia Lam)
Solicitor
Hong Kong

Address:
14th Floor, Alexandra House
Chater Road
Central
Hong Kong

[English Translation]

**Promoters' Agreement of
China Communications Facilities Services
Corporation Limited**

This Promoters' Agreement (this "**Agreement**") is entered into by and among the following parties (collectively, the "**Parties**", "**Promoters**" or "**Shareholders**") on July 11, 2014 in Beijing:

- (1) China Mobile Communication Company Limited, a limited liability company incorporated in accordance with People's Republic of China ("**PRC**") law, with its legal address at No. 29, Jin Rong Avenue, Xi Cheng District, Beijing, the PRC and its legal representative as XI Guohua.
- (2) China United Network Communications Corporation Limited, a limited liability company incorporated in accordance with PRC law with its legal address at No. 21, Jin Rong Avenue, Xi Cheng District, Beijing, the PRC and its legal representative as CHANG Xiaobing.
- (3) China Telecom Corporation Limited, a joint stock limited company incorporated in accordance with PRC law with its legal address at No. 31, Jin Rong Avenue, Xi Cheng District, Beijing, the PRC and its legal representative as WANG Xiaochu.

Each party is referred to hereinafter as a **Party**.

WHEREAS:

- A. In order to reduce duplicative construction of telecommunications infrastructure and improve the efficiency of the use of telecommunications facilities, the Parties agree to establish China Communications Facilities Services Corporation Limited (the "**Company**") by means of promotion with contributions in cash.
- B. In order to define the rights and obligations of the Promoters, the Promoters enter into this Agreement in accordance with the provisions of the PRC Company Law and other relevant laws and regulations.

THEREFORE, following amicable consultation, the Parties have concluded the following agreements:

CHAPTER ONE: The Company

- 1.1 Name of the Company: China Communications Facilities Services Corporation Limited
Registered address: No. 28, Jin Rong Avenue, Xi Cheng District, Beijing

- 1.2 The Company shall be a permanently subsisting joint stock limited company.
- 1.3 The Company shall be a qualified independent legal person responsible for its liabilities with all of its the assets.
- 1.4 The Parties, as the promoter shareholders, shall each be responsible to the Company to the extent of the shares subscribed for by each Party and shall each share the Company’s profits and risks in accordance with the shares held by each Party.
- 1.5 The Parties agree that the organizational structure of the Company shall be governed by the Articles of Association of the Company (the “**AOA**”) recognized by the Parties.

CHAPTER TWO: Business Scope

- 2.1 The business scope of the Company (provided that the ultimate business scope approved by the industry and commerce administrative authority shall prevail) shall consist primarily of the construction, maintenance and operation of telecommunications towers, as well as the construction, maintenance and operation of ancillary facilities, including base station control rooms, power supplies and air conditioning, and interior distribution systems, and the contracted maintenance of base station equipment.

CHAPTER THREE: Shares and Registered Capital

- 3.1 The entire capital of the Company shall consist of equal shares.
- 3.2 The registered capital of the Company shall be RMB10 billion.
- 3.3 The total number of shares of the Company shall be 10 billion shares, par value RMB1.00 per share, with a total share capital of RMB10 billion.
- 3.4 The number of shares subscribed for and the percentage of shares held by the Promoters shall be as listed in the following table:

<u>No.</u>	<u>Promoter</u>	<u>Number of shares subscribed</u>	<u>Shareholding percentage</u>
1	China Mobile Communication Company Limited	4.00 billion	40.0%
2	China United Network Communications Corporation Limited	3.01 billion	30.1%
3	China Telecom Corporation Limited	2.99 billion	29.9%
	Total	10.0 billion	100.0%

3.5 The Promoters shall pay their contributions after the Agreement has been duly executed and taken effect in accordance with the following schedule:

<u>Name of shareholder</u>	<u>Prior to July 31, 2014 (RMB million)</u>	<u>Prior to September 30, 2014 (RMB million)</u>	<u>Prior to December 31, 2014 (RMB million)</u>
China Mobile Communication Company Limited	1340	1340	1320
China United Network Communications Corporation Limited	1010	1000	1000
China Telecom Corporation Limited	1000	1000	990

The Company shall record the name, address and amount of capital contribution of the Promoters in the register of members in accordance with their contributions.

CHAPTER FOUR: Rights and Obligations of the Promoters

4.1 Each Promoter shall have the following rights:

- (1) to subscribe for and obtain the shares of the Company;
- (2) to receive compensation or damages from the breaching party when another Promoter breaches the Agreement causing damages to the aforementioned Promoter;
- (3) to attend or appoint proxies to attend the founding meeting, and to discuss and determine the AOA and other matters to be voted upon and passed at the founding meeting;
- (4) to enjoy any other rights that a promoter and a shareholder is entitled to enjoy in accordance with laws, rules and regulations and the AOA after the establishment of the Company in accordance with laws, rules and regulations.

4.2 Each Promoter shall have the following obligations:

- (1) to contribute capital to and subscribe for shares of the Company in accordance to the terms and conditions of this Agreement;
- (2) to compensate or indemnify the observant party if the aforementioned Promoter fails to fulfill its obligations to contribute the agreed amounts within the agreed periods;
- (3) to provide all documents and certifications in a timely fashion for the application of establishment and registration of the Company and to provide other services and facilities for the establishment of the Company;
- (4) to compensate or indemnify the Company and other Promoters for damages caused by the aforementioned Promoter's negligence during the course of the establishment of the Company;

- (5) to bear other obligations that a promoter and a shareholder is obliged to bear in accordance with laws, rules and regulations and the AOA after the establishment of the Company in accordance with laws, rules and regulations.

CHAPTER FIVE: Representations and Undertakings of the Promoters

5.1 Each Promoter hereby represents to the other Promoters that:

- (1) Such Promoter has the right and legal capacity to execute and perform this Agreement, and the execution and performance of this Agreement do not violate any agreements or arrangements such Promoter is a party to;
- (2) Such Promoter has taken necessary actions in accordance with the provisions of laws, rules and regulations such that the execution or performance of this Agreement is authorized by its decision-making authority (if applicable);
- (3) The execution and performance of this Agreement does not violate any terms of such Promoter's AOA (if applicable) or any applicable laws, rules and regulations or any government rules or any agreements or arrangements such Promoter is a party to.

5.2 Each Promoter hereby undertakes to the other Promoters:

- (1) to enforce and comply with the terms of this Agreement;
- (2) to take all necessary actions to ensure all the terms of this Agreement be fully performed;
- (3) to keep confidential the documents, records and trade secrets of the Company in connection with its establishment and the trade secrets of other Promoters that the aforementioned Promoter may learn of in the process of setting up the Company.

CHAPTER SIX: Breach of Contract of the Promoters

- 6.1 The Promoters shall perform this Agreement with honesty and good faith. In the case one Promoter fails to fulfill its obligations hereunder, resulting in the non-realization of the purpose of this Agreement, the other Promoters are entitled to claim damages from the breaching Party.
- 6.2 Where the Agreement cannot be performed or fully performed due to the breach of contract of one Party, the breaching Party shall be liable. In the case that more than one Party breach the Agreement, the Parties shall be liable in accordance with the circumstances of their actual fault.

- 6.3 Where the Company is unable to be established due to the fault of one Promoter, the observant Parties are entitled to claim compensation from the defaulting Party after the Promoters have borne joint liability to third parties in accordance with this Agreement.

CHAPTER SEVEN: Miscellaneous

- 7.1 The costs incurred in setting up the Company shall be strictly controlled and reasonably expended, and such costs shall be presented as the establishment fees of the Company after its establishment. If the Company fails to be established, the Promoters shall bear such costs in accordance with the ratio of their intended subscription of shares of the Company (unless the failure to establish the Company is due to the breach of contract by one or more Parties, in which case the breaching Party or Parties shall bear the costs) and shall assume joint liability to third parties.
- 7.2 This Agreement shall be effective upon due execution by the legal representatives of all Parties or their authorized representatives and the affixation of their official seals.
- 7.3 This Agreement shall be governed by and interpreted in accordance with PRC law.
- 7.4 Any dispute among the Parties relating to this Agreement shall be settled through amicable negotiation. Should the Parties fail to resolve the dispute within 20 working days from the date of written notice by any Party requesting negotiation, then any Party shall be entitled to submit such dispute to the Chinese International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with the then effective arbitration rules of such commission. The language of arbitration shall be Chinese and the arbitration award shall be final and binding on all Parties.
- 7.5 This Agreement is written and executed in Chinese in six original counterparts. Each original counterpart has equal legal validity.
- 7.6 If any provision of this Agreement is determined to be invalid by a court or any other institution with jurisdiction over this Agreement, the validity of the other provisions of this Agreement shall not be affected.

China Mobile Communication Company Limited
(chop)

By: /s/ XUE Taohai
Legal representative/authorized representative

China United Network Communications Corporation Limited
(chop)

By: /s/ LI Fushen
Legal representative/authorized representative

China Telecom Corporation Limited
(chop)

By: /s/ WU Andi
Legal representative/authorized representative

LIST OF MAJOR SUBSIDIARIES
(as of December 31, 2014)

<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
Guangdong Mobile	China
China Mobile Group Zhejiang Co., Ltd.	China
China Mobile Group Jiangsu Co., Ltd.	China
China Mobile Group Fujian Co., Ltd.	China
China Mobile Group Henan Co., Ltd.	China
China Mobile Group Hainan Co., Ltd.	China
China Mobile Group Beijing Co., Ltd.	China
China Mobile Group Shanghai Co., Ltd.	China
China Mobile Group Tianjin Co., Ltd.	China
China Mobile Group Hebei Co., Ltd.	China
China Mobile Group Liaoning Co., Ltd.	China
China Mobile Group Shandong Co., Ltd.	China
China Mobile Group Guangxi Co., Ltd.	China
China Mobile Group Anhui Co., Ltd.	China
China Mobile Group Jiangxi Co., Ltd.	China
China Mobile Group Chongqing Co., Ltd.	China
China Mobile Group Sichuan Co., Ltd.	China
China Mobile Group Hubei Co., Ltd.	China
China Mobile Group Hunan Co., Ltd.	China
China Mobile Group Shaanxi Co., Ltd.	China
China Mobile Group Shanxi Co., Ltd.	China
China Mobile Group Neimenggu Co., Ltd.	China
China Mobile Group Jilin Co., Ltd.	China
China Mobile Group Heilongjiang Co., Ltd.	China
China Mobile Group Guizhou Co., Ltd.	China
China Mobile Group Yunnan Co., Ltd.	China
China Mobile Group Xizang Co., Ltd.	China
China Mobile Group Gansu Co., Ltd.	China
China Mobile Group Qinghai Co., Ltd.	China

China Mobile Group Ningxia Co., Ltd.	China
China Mobile Group Xinjiang Co., Ltd.	China
China Mobile Group Design Institute Co., Ltd.	China
China Mobile Holding Company Limited	China
China Mobile (Shenzhen) 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 Company 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 M2M Company Limited	China
China Mobile (Suzhou) Software Technology Co., Ltd.	China
China Mobile (Hangzhou) Information Technology Co., Ltd.	China
China Mobile Online Service Co., Ltd.	China

CERTIFICATION

I, LI Yue, 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 24, 2015

/s/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive Officer

CERTIFICATION

I, XUE Taohai, 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 24, 2015

/s/ XUE Taohai

Name: XUE Taohai

Title: Executive Director, Vice President and
Chief Financial Officer

CHINA MOBILE LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, LI Yue, Executive Director and Chief Executive Officer of China Mobile Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2014 (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 24, 2015

/s/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive
Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

CHINA MOBILE LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, XUE Taohai, 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, 2014 (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 24, 2015

/s/ XUE Taohai

Name: XUE Taohai

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.