

5G++



未來無限可能
Infinite Future



THEME

China Mobile put in an all-out effort to drive the “5G+” plan forward in 2019, pursuing every possible avenue to promote 5G+4G coordinated development, foster 5G+AICDE integrated and joint innovations, cultivate collaborative 5G+Eco ecology and encourage the wider use of 5G+X applications. Central to the “5G+” plan is our overarching mission to inspire the world with brand-new experiences: from providing a fresh impetus to economic growth and creating new opportunities for social development, to offering an unprecedented digital lifestyle and building new business models driven by cooperation. We are confident what lay ahead of our exciting 5G journey are infinite possibilities and enchantments, plus a marvellous future.

FORWARD-LOOKING STATEMENTS

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

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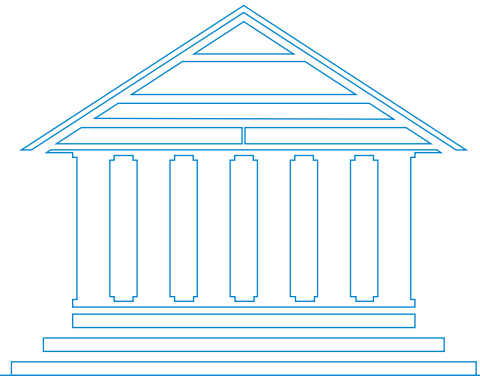
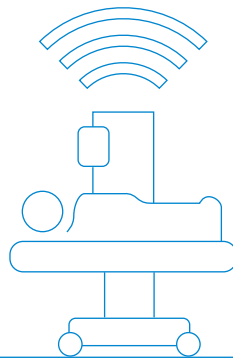
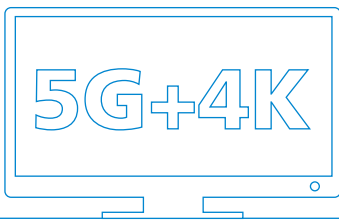
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🔦 Milestones

MARCH 2019

- Supported a medical institution in Beijing to perform China's first-ever 5G-based remote surgery on a human;



FEBRUARY 2019

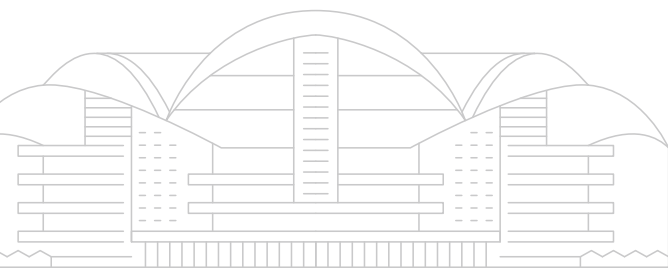
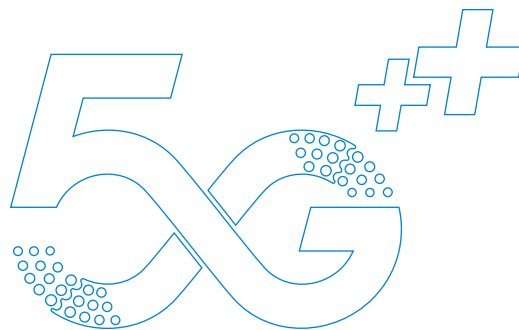
- Joined hands with China Media Group to debut the Chinese New Year Gala live using "5G+4K" technologies;

JUNE 2019

- Obtained the 5G operating permit and announced the "5G+" plan;

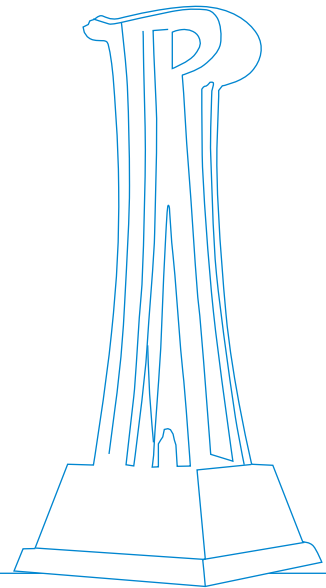
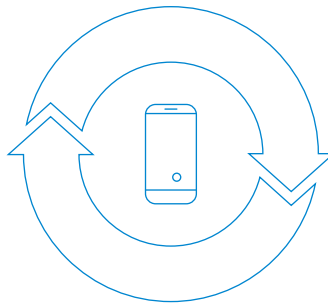
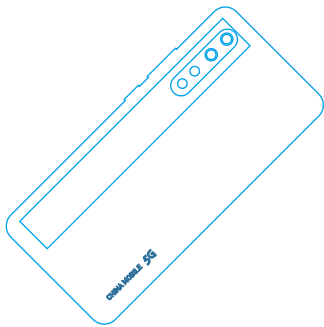
AUGUST 2019

- China Mobile made a statement on its overall development plan which aims for becoming a world-class enterprise by building a dynamic "Powerhouse";



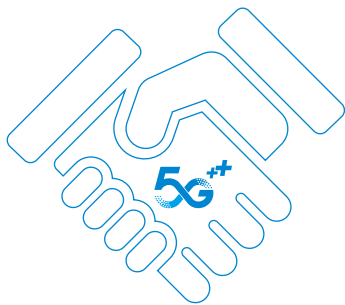
AUGUST 2019

- Unveiled the first self-branded 5G handset, “Pioneer X1”;



OCTOBER 2019

- Officially released 5G commercial packages and launched 5G services in 50 cities in China;



NOVEMBER 2019

- Fully implemented “Mobile Number Portability”;

DECEMBER 2019

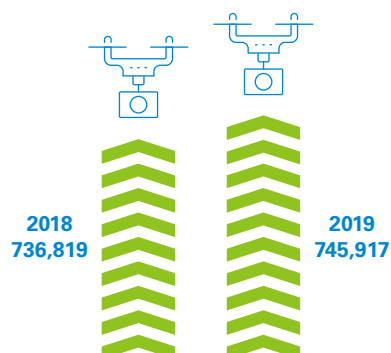
- China Mobile was granted the accolade of “Top Ten Model Brands of the Year” at the “2019 China Brand Power Grand Ceremony” held by China Media Group.



Financial Highlights

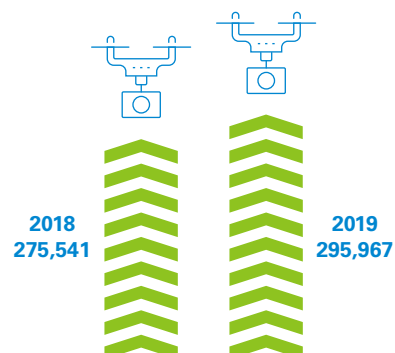
Operating Revenue

(RMB million)



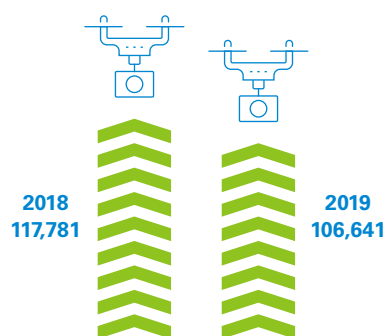
EBITDA

(RMB million)



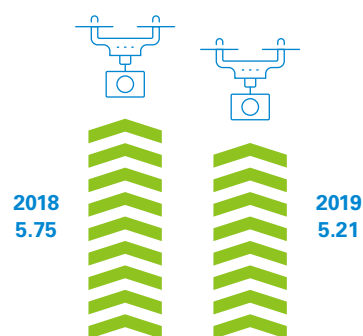
Profit Attributable to Equity Shareholders

(RMB million)



Basic Earnings per share

(RMB)



	2019	2018
Operating revenue (RMB million)	745,917	736,819
Of which: Revenue from telecommunications services (RMB million)	674,392	670,907
EBITDA ¹ (RMB million)	295,967	275,541
EBITDA margin ²	39.7%	37.4%
EBITDA as % of revenue from telecommunications services	43.9%	41.1%
Profit attributable to equity shareholders (RMB million)	106,641	117,781
Margin of profit attributable to equity shareholders ³	14.3%	16.0%
Basic earnings per share (RMB)	5.21	5.75
Dividend per share – Interim (HK\$)	1.527	1.826
– Final (HK\$)	1.723	1.391
– Full year (HK\$)	3.250	3.217

¹ EBITDA = profit from operations + depreciation and amortization

² EBITDA margin = EBITDA/operating revenue

³ Margin of profit attributable to equity shareholders = profit attributable to equity shareholders/operating revenue

⁴ The Company has adopted the new accounting standard on leases (IFRS/HKFRS 16) with effect from 1 January 2019

Company Profile

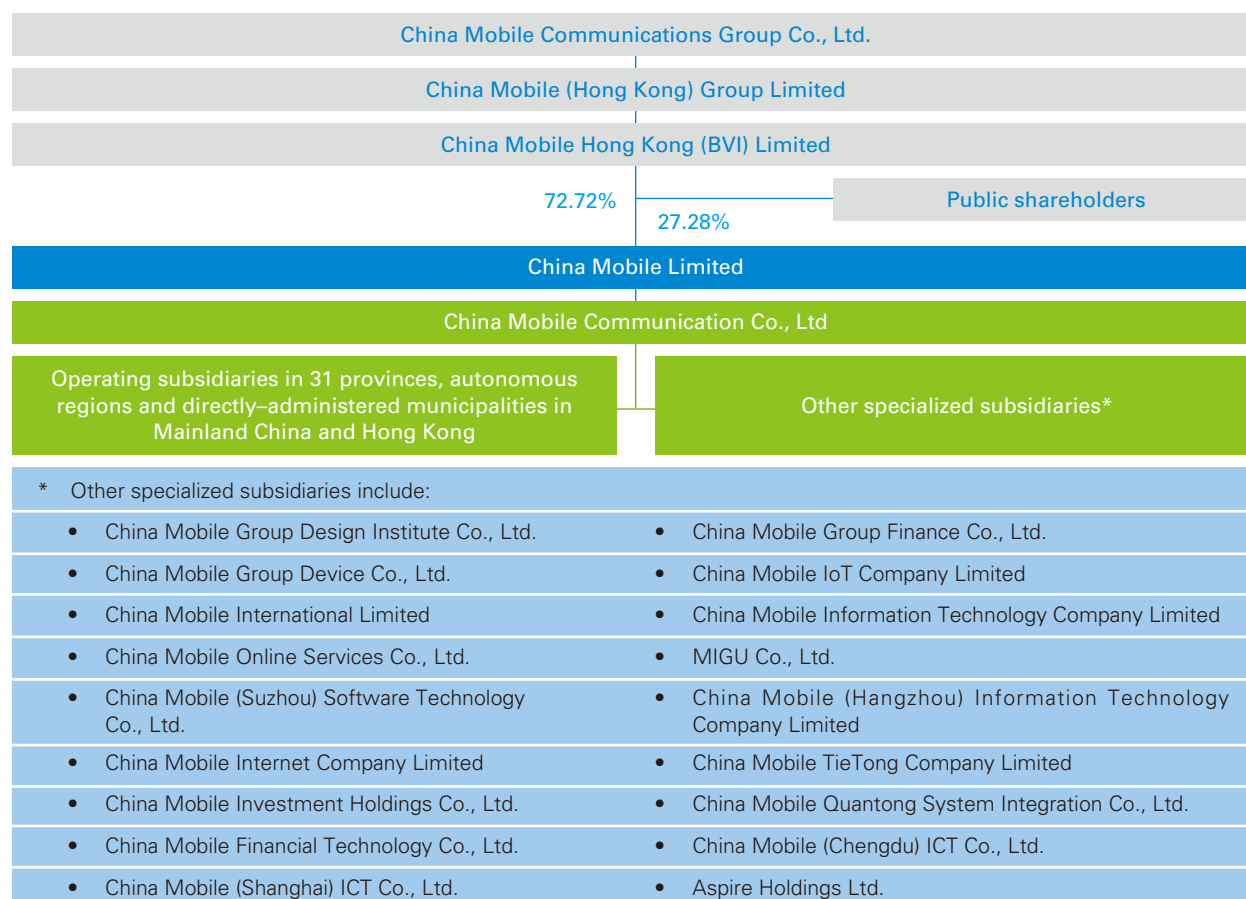
China Mobile Limited (the “Company”, and together with its subsidiaries, the “Group”) was incorporated in Hong Kong on 3 September 1997. The Company was listed on the New York Stock Exchange (“NYSE”) and The Stock Exchange of Hong Kong Limited (“HKEX” or the “Stock Exchange”) on 22 October 1997 and 23 October 1997, respectively. The Company was admitted as a constituent stock of the Hang Seng Index in Hong Kong on 27 January 1998.

As the leading telecommunications services provider in Mainland China, the Group provides full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout Mainland China and in Hong Kong Special Administrative Region, and boasts a world-class telecommunications operator with the world’s largest network and customer base, a leading position in profitability and market value ranking. Its businesses primarily consist of mobile voice and data business, wireline broadband and other information and communications services. As of 31 December 2019, the Group had a total of 456,239 employees, and a total of 950 million mobile customers and 187 million wireline broadband customers, with its annual revenue totalling RMB745.9 billion.

The Company’s ultimate controlling shareholder is China Mobile Communications Group Co., Ltd. (formerly known as China Mobile Communications Corporation, “CMCC”), which, as of 31 December 2019, indirectly held approximately 72.72% of the total number of issued shares of the Company. The remaining approximately 27.28% was held by public investors.

In 2019, the Company was once again selected as one of The Global 2,000 World’s Largest Public Companies by Forbes magazine and Fortune Global 500 by Fortune magazine. The China Mobile brand was once again listed in BrandZ™ Top 100 Most Valuable Global Brands of 2019 by Millward Brown ranking 27. Currently, the Company’s corporate credit ratings are equivalent to China’s sovereign credit ratings, namely, A+/Outlook Stable from Standard & Poor’s and A1/Outlook Stable from Moody’s.

China Mobile Principal Organizational Structure



Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS



Mr. YANG Jie

Age 57, Executive Director and Chairman of the Company, joined the Board of Directors of the Company in March 2019, in charge of the overall management of the Company. He is currently the Chairman of CMCC and a Director and the Chairman of China Mobile Communication Co., Ltd. ("CMC"). Mr. Yang formerly served as deputy director general of Shanxi Posts and Telecommunications Administration, general manager of Shanxi Telecommunications Corporation, vice president of China Telecom Beijing Research Institute, general manager of Business Department of the Northern Telecom of China Telecommunications Corporation, vice president, president and chairman of China Telecommunications Corporation, and president and chief operating officer, chairman and chief executive officer of China Telecom Corporation Limited. Mr. Yang graduated from the Beijing University of Posts and Telecommunications majoring in radio engineering in 1984 and obtained a doctorate degree in business administration from the ESC Rennes School of Business, France in 2008. Mr. Yang is a professor-level senior engineer with extensive experience in management and telecommunications industry.



Mr. WANG Yuhang

Age 58, Executive Director of the Company, joined the Board of Directors of the Company in October 2019, principally in charge of human resources and inspection matters. He is also a Director of CMCC and CMC. Mr. Wang formerly served as a deputy general manager of Development Department, general manager of Supervision Department, deputy director of Supervision and Inspection Office, the chief director of Legal Center, general manager of Human Resources Department and executive vice president of China Ocean Shipping (Group) Company; a vice president of COSCO Americas Inc.; the general manager of COSCO Shipbuilding Industry Company; the general manager of COSCO Shipyard Group Co., Ltd. as well as the executive vice president of China COSCO SHIPPING Corporation Limited. Over the past three years, Mr. Wang had served as a non-executive director and vice chairman of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and Shenzhen), a non-independent and non-executive director and the chairman of COSCO SHIPPING International (Singapore) Co., Ltd. (listed in Singapore), a non-executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Hong Kong and Shanghai), and an executive director and the chairman of COSCO SHIPPING International (Hong Kong) Co., Ltd. (listed in Hong Kong). Mr. Wang graduated from Dalian Maritime College in 1983 with a major in marine engineering management. He is a senior engineer with many years of experience in the shipping industry and in human resources and corporate management.

INDEPENDENT NON-EXECUTIVE DIRECTOR



Mr. DONG Xin

Age 53, Executive Director, Vice President and Chief Financial Officer of the Company, joined the Board of Directors of the Company in March 2017, principally in charge of corporate affairs, planning and construction, finance, internal audit and investor relations of the Company. He is also a Vice President and Chief Accountant of CMCC and a Director and Vice President of CMC. In May 2018, Mr. Dong was appointed as a Non-Executive Director of China Tower Corporation Limited ("China Tower", listed in Hong Kong). Mr. Dong formerly served as a deputy director of Corporate Finance Division of Finance Department of the former Ministry of Posts and Telecommunications, a director of Economic Adjustment Division of the Department of Economic Adjustment and Communication Clearing of the former Ministry of Information Industry of China, director general of the Finance Department of CMCC, chairman and president of Hainan Mobile, director general of the Planning and Construction Department of CMCC, chairman and president of Henan Mobile and Beijing Mobile. Mr. Dong received a Bachelor's degree from Beijing University of Posts and Telecommunications in 1989, a Master's degree in financial and accounting management from Australian National University, and a Doctoral degree in business administration jointly issued by Shanghai Jiao Tong University and ESC Rennes School of Business, France. Mr. Dong is a senior engineer and senior accountant with many years of experience in the telecommunications industry and financial management.



Dr. Moses CHENG Mo Chi, GBM, GBS, OBE, JP

Age 70, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in March 2003. He was appointed as the Chairman of the Remuneration Committee in May 2016. Dr. Cheng is a practising solicitor and a consultant of Messrs. P.C. Woo & Co. after serving as its Senior Partner from 1994 to 2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He is now also serving as chairman of the Insurance Authority. Dr. Cheng currently holds directorships in Liu Chong Hing Investment Limited, China Resources Beer (Holdings) Company Limited, Towngas China Company Limited, K. Wah International Holdings Limited, Guangdong Investment Limited, Tian An China Investments Company Limited and The Hong Kong and China Gas Company Limited, all of which are public listed companies in Hong Kong. Dr. Cheng had ceased to be a non-executive director of Kader Holdings Company Limited and an independent non-executive director of ARA Asset Management Limited, a company formerly listed in Singapore.



Mr. Paul CHOW Man Yiu, GBS, SBS, JP

Age 73, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in May 2013. He was appointed as the Chairman of the Nomination Committee in May 2016. He was the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003, an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010, the Chairman of Hong Kong Cyberport Management Company Limited from June 2010 to May 2016, an independent non-executive director of Bank of China Limited from October 2010 to August 2016, a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region from April 2015 to March 2017 and an independent non-executive director of CITIC Limited from March 2016 to June 2019. Mr. Chow currently serves as an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd.



Mr. Stephen YIU Kin Wah

Age 59, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in March 2017. He was appointed as the Chairman of the Audit Committee in May 2018. Mr. Yiu is currently a Non-Executive Director of the Insurance Authority, an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited and ANTA Sports Products Limited, a Council member of The Hong Kong University of Science and Technology, and a member of the Exchange Fund Advisory Committee of The Hong Kong Monetary Authority and ICAC Complaints Committee. Mr. Yiu joined the global accounting firm KPMG ("KPMG") in Hong Kong in 1983 and was seconded to KPMG in London, the United Kingdom from 1987 to 1989. Mr. Yiu became a partner of KPMG in 1994, served as the Partner in Charge of Audit of KPMG from 2007 to 2010, and served as the Chairman and Chief Executive Officer of KPMG China and Hong Kong as well as a member of the Executive Committee and the Board of KPMG International and KPMG Asia Pacific from April 2011 to March 2015. Mr. Yiu formerly also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants. Mr. Yiu is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of England and Wales. Mr. Yiu received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a master's degree in business administration from the University of Warwick in the United Kingdom.

SENIOR MANAGEMENT



Dr. YANG Qiang

Aged 58, Independent Non-Executive Director of the Company, joined the Board of Directors of the Company in May 2018. Dr. Yang is currently the Chief AI Officer of WeBank Co., Ltd., the Founding Director of the Big Data Institute, the Chair Professor and former New Bright Professor of Engineering and the former Head of the Department of Computer Science and Engineering of the Hong Kong University of Science and Technology ("HKUST"), as well as the Chief Scientific Consultant to Shenzhen Qianhai 4Paradigm Data Technology Co., Ltd. Dr. Yang had served as, among other posts, an Assistant Professor and a Tenured Associate Professor at the Department of Computer Science of the University of Waterloo in Canada from September 1989 to August 1995, a Tenured Associate Professor, an Industrial Research Chair and a Full Professor at the School of Computing Science of Simon Fraser University in Canada from August 1995 to August 2001, and an Associate Professor, a Full Professor and an Associate Head of the Department of Computer Science and Engineering of HKUST from August 2001 to June 2012. From 2009 to November 2014, Dr. Yang was also a Technical Consultant to the 2012 Laboratories of Huawei Technologies Co., Ltd. ("Huawei") in charge of big data research, and served as, among other posts, the Founding Head of Huawei's Noah's Ark Research Lab and the Head of Huawei's Big Data Committee. Dr. Yang received a bachelor's degree in astrophysics from Peking University in 1982, master's degrees in astrophysics and computer science from the University of Maryland, College Park in the United States in 1985 and 1987 respectively, and a doctor's degree in computer science from the University of Maryland, College Park in 1989.



Mr. LI Huidi

Age 51, Vice President of the Company, appointed in September 2019, principally in charge of network, international information harbor, information security, procurement, terminals and others. He is also a Vice President of CMCC and a Director and Vice President of CMC. Previously he served as a research fellow in Lucent Technologies – Bell Labs Innovations, a vice president of UTStarcom Inc., a vice president and general manager of New Mobile Technology and High-end Products Division of Lenovo Group Limited, chief technology officer and chairman of Technology Innovation Committee of Lenovo Mobile Communication Technology Co., Ltd. Mr. Li graduated in 1990 with a Bachelor of Electronic Engineering from Harbin Institute of Technology, and received a master's degree in Mobile Communications from Polytechnic Institute of New York University and a doctoral degree in management from Hong Kong Polytechnic University.



Mr. GAO Tongqing

Age 56, Vice President of the Company, appointed in February 2020, principally in charge of legal and regulatory matters, technology R&D, international business, investment and others. He is also a Vice President of CMCC, a Director and Vice President of CMC. Mr. Gao previously served as a deputy director general of Xinjiang Uygur Autonomous Region Posts and Telecommunications Administration, deputy general manager and general manager of Xinjiang Uygur Autonomous Region Telecom Company, general manager of China Telecom Jiangsu branch, vice president of China Telecommunications Corporation, and executive director and executive vice president of China Telecom Corporation Limited. He graduated from the Changchun Institute of Posts and Telecommunications with a major in telecommunications engineering and received a doctorate degree in business administration from the Hong Kong Polytechnic University.



Mr. JIAN Qin

Age 54, Vice President of the Company, appointed in September 2019, principally in charge of marketing, customer service, information and technology, mobile Internet, financial technology and others. He is also a Vice President of CMCC, a Director and Vice President of CMC and a Director of Phoenix Media Investment (Holdings) Limited. Previously he served as a deputy director of the Nanchang Telecom Bureau, chairman and president of Jiangxi Mobile, Sichuan Mobile and Guangdong Mobile. Mr. Jian graduated in 1989 from Beijing University of Posts and Telecommunications majoring in Computer and Communication, and received a doctoral degree in Industrial Economics from Jiangxi University of Finance and Economics.



Mr. ZHAO Dachun

Age 49, Vice President of the Company, appointed in September 2019, principally in charge of corporate customers, software technology R&D, IoT and other matters. He is also a Vice President of CMCC and a Director and Vice President of CMC. Previously he served as the chairman and president of Shaanxi Mobile and Sichuan Mobile. Mr. Zhao graduated in 1993 from Southeast University majoring in Radio Technology and received an EMBA from Nanjing University.

A hand is pointing towards a large, stylized gear. The gear has a glowing green center with the text '5G' in white. The background is a dark blue grid with various technical icons and patterns.

5G



+ 4G

Coordinated Development



Chairman's Statement



As we speak, the development of the global digital economy has entered a new phase, driven by cross-sector integration, systematic innovation and increasing digitisation. A new generation of information technology, with the emergence of 5G at the forefront, is triggering faster and more frequent technological breakthroughs and industry revolutions that are systematic, sweeping and extensive.

Riding the wave of 5G development and after thoroughly assessing external factors and trends, we have accelerated “gear-changes” in three areas. In terms of business development, we extended our solutions beyond telecommunications to information services; our market focus has shifted from the mobile market to the more encompassing CHBN “four growth engines”, comprising the “customer”, “home”, “business” and “new” markets; and finally, our development model has transformed from being resource-driven to innovation-driven, which we believe is essential for any company seeking to grow further.

Good strategists win in the market; long-term strategic planning ensures sustainable prosperity. With the development of 5G, the future presents infinite possibilities. China Mobile will follow the industry development trends and serve as a major force in the development of China as a “Cyberpower”, digital nation and smart society. Working towards our goal of becoming a world-class enterprise by building a dynamic “Powerhouse”, we will further implement the “5G+” plans, connecting all industries and servicing mass demand. By doing so, we aim to create more value for our investors in the 5G era.



Dear Shareholders,

We were faced with a challenging and complicated operating environment in 2019 where the upside of data traffic was rapidly diminishing and competition within the telecommunications industry and from cross-sector players was becoming ever more intense. Coupled with this was the impact of government policies, including the continued implementation of the "speed upgrade and tariff reduction". Against this backdrop, all of us at China Mobile joined together to overcome these hurdles and work towards our ultimate goal of becoming a world-class enterprise by building a dynamic "Powerhouse". This was centred on the key strategy of high-quality development, supported by a value-driven operating system that leverages our advantages of scale to drive further convergence, integration and digitization across the board. We structured our organization to enable effective and synergetic capability building and collaborative growth, while nurturing internal vitality. In addition, we further implemented our "5G+" plan to spearhead the development of "four growth engines", comprising the "customer", "home", "business" and "new" markets. These measures have helped us obtain positive momentum in overall operating results, which was a hard-earned achievement for us in a tough year.

OPERATING RESULTS

China Mobile recorded operating revenue of RMB745.9 billion for the 2019 financial year, up by 1.2% compared to last year. Of this, telecommunications services revenue amounted to RMB674.4 billion, or growth of 0.5% year-on-year. EBITDA was RMB296.0 billion, up by 7.4% from last year. EBITDA margin was 39.7%, up by 2.3 percentage points compared to the previous year. Measures to boost revenue, reduce costs and enhance the quality and efficiency of operations have helped us maintain leading profitability levels among top-tier global telecommunications operators. Profit attributable to equity shareholders reached RMB106.6 billion or RMB5.21 per share, down by 9.5% year-on-year. Our capital expenditure was RMB165.9 billion and we maintained our free cash flow at a healthy level, amounting to RMB81.7 billion.

The Board recommends a final dividend payment of HK\$1.723 per share for the year ended 31 December 2019. Together with the interim dividend payment of HK\$1.527 per share, the total dividend payment for the 2019 financial year amounted to HK\$3.250 per share.

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

The Board believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for the Company's future development and create favourable returns for our shareholders.

FORGED COORDINATED DEVELOPMENT OF CHBN "FOUR GROWTH ENGINES"

In view of changes in the market landscape, we transformed and upgraded our services beyond telecommunications to the broader space of information services, and kicked off at full speed the coordinated development of our CHBN "four growth engines" – the "customer", "home", "business" and "new" markets. These strategic shifts have further enhanced our revenue structure, infusing new growth momentum into our business.

Considering the rapid growth in data traffic demand and squeezed data value in the "customer" market, we responded by further converging data access, applications and customer benefits in our operations. As a result, we gained solid growth in customers and further strengthened our revenue base. With a net addition of 25.21 million, the total number of mobile customers reached 950 million in 2019. Handset data traffic increased by 90.3% year-on-year and DOU (the average handset data traffic per user per month) was 6.7 GB. We also managed to achieve an industry-leading mobile ARPU (average revenue per user per month) of RMB49.1. We continued to upgrade our products, including "GoTone", and optimize our service management mechanism. Customer satisfaction was further enhanced.



With regard to the “home” market, we focused our efforts on scale expansion, brand building, ecology cultivation and value lifting, while delivering better one-stop marketing, installation, maintenance and customer services. We further promoted smart family operations and as a result, this business was able to deliver strong growth. The number of household broadband customers increased by 17.1% year-on-year and reached 172 million. Among them, our digital set-top box “Mobaihe” registered a total of 122 million customers, representing a penetration rate of 70.9%. Meanwhile, household broadband blended ARPU reached RMB35.3.

The “business” market was our new growth engine and we strove to nurture new growth points by fully leveraging our cloud and network convergence advantages, building on our DICT (data, information and communications technology) infrastructure comprising IDC, ICT, Mobile Cloud, big data and other corporate applications and information services. Buoyed by our active promotion of our “Network + Cloud + DICT” smart services, customers and revenue recorded rapid growth. As of the end of 2019, the number of

our corporate customers increased to 10.28 million, representing year-on-year growth of 43.2%. Focusing on key sectors such as industry, agriculture, education, public administration, healthcare, transportation and finance, we deepened go-to-market resources to promote DICT solutions that cater to sector-specific scenarios. This strategy has boosted DICT revenue to RMB26.1 billion, or growth of 48.3% year-on-year, contributing a larger portion of our overall revenue.

In the “new” market, we continued to grow four new areas – international business, equity investment, digital content and FinTech. Our increased efforts have generated initial results. In 2019, our international business gained traction with year-on-year revenue growth of 31.4%. Centring on the principles of value contribution, ecosystem formation and investment-derived sector synergy, we have increased efforts to pursue equity investment, and income from equity investment contributed 11.9% to our net profit. Monthly active users for “MIGU Video” and the core functions of “and-Wallet” increased by 46.4% and 58.9% year-on-year respectively.

PROMOTED CONVERGENCE, INTEGRATION AND DIGITIZATION, BUSINESS TRANSFORMATION AND UPGRADE SHOWED EARLY SIGNS OF SUCCESS

Leveraging our advantages of scale, we began to establish a value-driven operating system focusing on the three elements of convergence, integration and digitization. We have seen positive initial results from this transformative development and upgrade.

We expanded our market presence through the convergence strategy. We launched more marketing and sales initiatives under this strategy based on customer's profiles and consumption behaviours (such as their level of loyalty, benefits and devices) to push products that are tailored to customers' individual content and traffic demands. As a result, our full business bundling rate rose by 33 percentage points year-on-year to reach 82.7%. In the meantime, we accelerated "cloud reforms" by optimizing our cloud resources and diversifying our cloud network, cloud-based designated line and cloud database offerings to build out our network-wide "Mobile Cloud". Full-year revenue generated from the Mobile Cloud businesses increased by 59.3% year-on-year.

We created value through integration. By accelerating channel integration and unleashing synergies from online and offline, as well as business-to-business and business-to-customer integration, the share of traditional channel commission reduced by 11 percentage points while online channel contribution to overall business transactions reached 58.8%. Through the "Safeguard" campaign, we gained 23.56 million high-value customers. We also actively established a shared IT (information technology) platform for all operating functions and compatible capabilities. Across the network, 220,000 of our devices have run on the IT cloud platform and our centralized big data platform has stored effectively all data from our business, operation and management support systems, releasing higher value through further sharing.

We enhanced efficiency through digitization. We continued to build up our smart mid-end platform and promote the applications of various technologies such as AI (artificial intelligence) and big data in order to strengthen the provision of smart services for various business areas, including network, markets, services, security and management. In 2019, we made significant progress in the development of NFV (Network Function Virtualization) and fully implemented the SDN (Software Defined Networking) technology, allowing one-stop subscription to our designated international and corporate transmission network with flexible bandwidth. Basic operating functions of our business in 31 provinces were centralized on one single platform, significantly enhancing efficiency in coordinating touch points, evaluation and precise marketing. We upgraded our customer service system with proprietary technology and persistently strengthened smart customer service capabilities. Our proprietary Jiutian AI Platform and AI R&D (research and development) cloud have led to the wider use of various AI applications, which have helped us reduce cost and increase efficiency.

BOOSTED CAPABILITY, COLLABORATION AND VITALITY AND ACHIEVED BREAKTHROUGHS IN REFORM AND INNOVATION

Capability, collaboration and organizational vitality formed a strong foundation for us to forge full-blown reforms and innovations. In this aspect, we have sped up progress in establishing a synergetic and efficient operating system across the organization.

We further optimized our operating system to support market, corporate business and network operations, and proceeded with a number of reforms including cloudification of corporate services, development of smart home business, construction of smart mid-end platforms and acceleration of business internationalization. We adjusted our organizational structure and streamlined operating mechanisms to enhance efficiency and motivate our employees. Our structure fully equipped headquarters to command, the regions to compete and the specialized businesses to provide supporting services, creating strong synergetic dynamics and ensuring an organizational and operating structure that adapts to the strategic needs of the Company.

Elsewhere, our network capability continued to grow. Forging the well-coordinated development of 4G and 5G, our 3.09 million 4G base stations served to support traffic growth. We have commenced building the GB broadband network, and prioritized completing the OLT (Optical Line Terminal) facility upgrade for urban areas and high-value zones, equipping around 80% of the facilities in urban areas with the capabilities for the rapid expansion of GB broadband business. We proactively migrated our IT system, business platform and core network elements to the cloud while the gradual centralization of mobile cloud resources also helped us formulate comprehensive plans to enhance our cloud service capability. We have added the 25.9 Tbps bandwidth option for our international and corporate designated transmission network while boosting our network capabilities, supported by international submarine cables, cross-border terrestrial cables and PoPs (points of presence).

We strengthened open collaboration. We established or deepened strategic partnerships with 12 local governments and 31 large enterprises and public organizations covering areas such as 5G and other digital services innovation. These complementary collaborations combined the strengths and resources of these partners to drive social and economic development. Our initiative to establish a new 5G "friendly circle" mechanism has progressed well, and we have taken measures to collaborate with up- and down-stream businesses within the sector, as well as technology and innovation companies, tertiary institutes and research institutes. In addition, we explored building a strategic and synergetic ecosystem covering areas such as 5G, cloud computing, digital content and network safety through capital investment and capital cooperation.

We infused vitality into the Company. We initiated a new round of our share option scheme, which is now proceeding smoothly. In addition, we started to put in place equity and bonus schemes in our technology subsidiaries to gradually establish a mid- to long-term incentive scheme that will nurture a culture of shared interests and responsibilities. We have also furthered the implementation of the "Double-hundred Action", an initiative for reforming state-owned enterprises that benchmarks world-leading companies. Reforms in three of our subsidiaries have made good progress. We also took solid steps to build national level innovation and entrepreneurship demo centres and joint laboratories to strengthen our R&D capability on cross-sector applications and the commercial conversion of research results, as a way to contribute to the prosperous growth of the innovation ecosystem. Elsewhere, we explored grid operations, dividing base-level operations into units and identifying people to take responsibility. With better-aligned responsibilities, authority and benefits, we aim to fully motivate our staff and infuse vitality into our base layers.

"5G+" ACHIEVED A GOOD START

We sped up the development of 5G and have been fully implementing our "5G+" plan since June 2019, when we were granted the 5G licence. These initiatives have shown good initial results.

We actively participated in setting international standards for 5G to drive technological development. We led 61 key projects in relation to 5G international standards setting and own more than 2,000 5G patents. We also helped to continuously strengthen the Standalone International Standards (SA). Our "6 international standards on 5G system architecture" and "38 international standards including 5G NR (New Radio) terminals and base station radio frequency" scooped all the top prizes in the 2019 Science and Technology Awards presented by the China Communications Standards Association, demonstrating our leadership in 5G communications standards.

At the same time, we accelerated the implementation of "5G+" by formulating well-coordinated development of 5G and 4G. We constructed and began operating more than 50,000 5G base stations and launched 5G commercial services in 50 cities. We assimilated emerging technologies such as AI, IoT (Internet of Things), cloud computing, big data and edge computing into 5G (5G+AICDE) and developed more than 200 critical capabilities, while making breakthroughs in over 100 5G joint projects. In terms of 5G+Eco, we aimed to develop the ecosystem with other industry players. Through our 5G Innovation Centre and 5G Industry Digital Alliance, we attracted more than 1,900 partners. We established the 5G Device Forerunner Initiative, guiding manufacturers to launch 32 5G devices. The level of maturity was basically the same between the 2.6 GHz and 3.5 GHz industry chains.

Benefiting from forward-looking planning and effective execution, we expanded 5G+X, where "X" stands for the wider application of 5G, in applications that have been adopted by a plethora of industry sectors, as well as the mass market. For the latter, we launched exclusive plans for 5G customers and feature services such as ultra-high definition videos, cloud-based games and full-screen video connecting tones. As of the end of February 2020, our 5G plans attracted 15.40 million package customers – maintaining an industry-leading position. In terms of vertical sector, we explored the possibility of combining 5G with AICDE capabilities, extending collaboration in the industry and deep-diving into classic manufacturing scenarios to develop our leadership in 5G smart manufacturing, 5G remote medical services and 5G automated mining, among other sectors. We implemented a total of 50 group-level demo application projects.

Looking ahead, 5G presents infinite possibilities. We will continue to take a systematic approach to planning and steadily implementing our "5G+" initiatives. We will speed up technology, network, application, operations and ecosystem upgrades, accelerate industry transformation by converging technologies, integrate data to strengthen information transmission in society, and introduce digitized management to build the foundation for digital society development. By doing so, we will seek more extensive 5G deployment, covering more sectors and creating greater efficiency and social value.

CORPORATE GOVERNANCE

The Company always upholds the principles of integrity, transparency, openness and efficiency and fully complies with all applicable listing rules to ensure sound corporate governance.

We have been optimizing the composition of our Board membership, ensuring diversity and fully leveraging the experience and expertise of our independent non-executive directors, so as to introduce further improvements to our governance structure and decision-making mechanisms.

We are also committed to compliance. We continued to enhance compliance management and ensure best practices in our daily operations through initiatives such as the "Safeguarding Compliance" program. We further improved our compliance management structure and reinforced legal accountability to ensure that the Company complies with the laws. We were consistent in adopting the Company's compliance philosophy, which is "abide by the law, follow the rules, observe commitments and uphold integrity". Operating according to the laws and regulations is a culture that we have established across the board and we continued to enhance our supervision system.

We are dedicated to enhancing our risk and internal control systems, increasing the level of competence in risk detection and management. We have further strengthened our supervision over key issues such as business performance and cost deployment. We also strove to mitigate business risks and close any gaps in our business management processes to ensure sustainable and high-quality operations.

SOCIAL RESPONSIBILITY AND ACCOLADES

The Company remained committed to leveraging our expertise to reciprocate the society and satisfy the needs of more people as they pursue a better life.

We contributed to the national strategy of building a "Cyberpower" and spurred the development of the digital economy. We continued to implement the "speed upgrade and tariff reduction" requirement and fully launched the "Mobile Number Portability" policy as scheduled, and we continuously lowered the threshold for digital services and promoted inclusive technology. At the same time, we strove to build up an industry collaboration mechanism, creating a healthy and orderly competitive environment to promote high-quality development of the whole industry.

In addition, the Company proactively assumed its responsibilities in the areas of contingency telecommunications, information security, targeted poverty alleviation, philanthropy, energy saving and emissions reduction.

To help combat the novel coronavirus (COVID-19) outbreak, we worked to safeguard communications and services. Contributing to epidemic prevention and control measures, we enhanced the communications network in key areas and venues affected by the outbreak. We also fully leveraged competitive edges brought about by our online services, such as the China Mobile App, to provide convenient services for customers around the clock. During the epidemic, we provided our customers with multiple products free of charge, including Cloud Video Meeting and MIGU Video, to enrich our solutions on remote working and home entertainment.

Regarding contingency communications and information security, the Company successfully completed 6,800 contingency communications missions in 2019, participating in coordinated disaster and emergency rescue efforts and ensuring uninterrupted communications during major incidents. We have also taken the initiative to combat evolving telecommunications frauds and cybercrime, in order to create a healthy and safe telecommunications environment.

In terms of poverty alleviation and philanthropy, we proactively launched tariff concession plans as part of targeted poverty-alleviation efforts for people in need. Our proprietary TPAS (Targeted Poverty Alleviation System) has been deployed in 14 provinces and 92 cities and counties across the country, covering 8.169 million disadvantaged individuals. The "Blue Dream" education project has provided professional training for a total of 127,338 primary and secondary school headmasters in rural villages. Meanwhile, the "Heart Caring" campaign has sponsored the surgery of an accumulative total of 5,973 impoverished children with congenital heart disease.

Turning to energy saving and emissions reduction, the Company continued to implement its "Green Action Plan" to reduce our carbon footprint. In 2019, the overall energy consumption per unit information flow fell by 43%, compared with the previous year. We advocated environmental protection among our suppliers and the rate of eco-friendly packaging usage on new main equipment reached 69%.

Our achievements have received wide recognition. We won the "Top Ten Model Brands of the Year" award at the 2019 China Brand Power Grand Ceremony organized by the China Media Group. In addition, we were a Gold Award winner at The Asset ESG Corporate Awards 2019 and received the Asia's Most Honoured Company award from *Institutional Investor*, as well as Icon on Corporate Governance and Best Investor Relations Company award from *Corporate Governance Asia*.

At the same time, Moody's and Standard & Poor's maintained our corporate credit ratings at the same level as China's sovereign ratings in 2019.

FUTURE OUTLOOK

At present, the social and economic landscapes are undergoing four paradigm shifts. Economically, the digital economy has become the major driving force of growth. Technologically, emerging information technology has become the core engine to spur industry transformation and upgrades. With regard to business competition, technological innovation forms the pillar of companies' competitive advantages. And, last but not least, demand for a better digital life has pervaded the whole of society.

These paradigm shifts will bring massive "Blue Ocean" opportunities to the information telecommunications industry. The accelerating development of 5G will provide better infrastructure and more scenarios to boost the scale application of AI, IoT, cloud computing, big data, edge computing and blockchain, among other technologies, promoting the digital transformation of all industries and digital life. At the same time, we will encounter disruptive changes brought forth by digitization, challenging the existing network and business models and giving rise to unforeseen competition within the industry, as well as from cross-sector players. The novel coronavirus (COVID-19) outbreak since early 2020 has posed certain impact on the overall society and economy. Our business development has been no exception.

Good strategists win in the market; long-term strategic planning ensures sustainable prosperity. Facing opportunities and challenges, we will speed up "gear-changes" in three areas. In terms of business development, we will extend our offerings beyond telecommunications to information services; our market focus will shift from the mobile market to the all-encompassing "four growth engines"; and finally, our development model will transform from being resource-driven to innovation-driven.

We will uphold our strategy of becoming a world-class enterprise by building a dynamic "Powerhouse". We will serve as a major force in the development of China as a "Cyberpower", digital nation and smart society. Centred around our objective for high-quality growth, we will focus on business transformation and upgrade while giving impetus to reform and innovation. We will place emphasis on implementing our "5G+" plans while forging convergence, integration and digitization across our operations and building capabilities, establishing collaboration and infusing vitality in the organization. By doing so, we will make great strides towards becoming a top-tier global telecommunications operator and continuously create greater value for our shareholders.

In 2020, we will strive to overcome the impact of the novel coronavirus (COVID-19) outbreak on business development and 5G network construction. The epidemic has bolstered the growing trend of businesses and customers going online and using more digital and cloud-based services, among other opportunities arisen. We will leverage these opportunities, as well as the 5G network to further develop the information and communications services market. With concerted efforts, we will strive to maintain growth in telecommunications services revenue and a stable level of net profit. We will also strive to maintain an industry-leading customer satisfaction.

ACKNOWLEDGEMENT

Mr. Li Yue resigned from his position as Executive Director and CEO in October 2019. Over the course of his long service with the Company, Mr. Li made a tremendous contribution, leading the remarkable journey of China Mobile from 2G to 5G. On behalf of the Board, I thank Mr. Li for his exceptional contribution to China Mobile.

Finally, on behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude for the support of our shareholders, customers and the general public, and for the dedication and contribution of our employees.



Yang Jie
Chairman

Hong Kong, 19 March 2020

Corporate Recognitions







AI

EDGE

CLOUD



+ AICDE
Integrated
Innovations

The image features a vibrant, futuristic cityscape at night, overlaid with a complex network of glowing blue lines and circular patterns. Various icons representing technology and connectivity are scattered throughout, including a satellite dish, a smartphone, a VR headset, a drone, a Wi-Fi symbol, and a person icon. The overall aesthetic is high-tech and digital.

Business Review

The Group has geared concerted efforts towards becoming a world-class enterprise by building a dynamic “Powerhouse”, which was an overarching mission central to its master plan for the year 2019. Specifically, it has made an all-out endeavour to foster scale-based and value-oriented operating practices and promote the holistic development of the CHBN “four growth engines” (the “customer”, “home”, “business” and “new” markets) in a converged, integrated and coordinated manner. A special focus has also been placed on business transformation, innovation and smart operations, in addition to the building up of core capabilities such as network, IT, research and development and customer services. Following these efforts, the Group has obtained positive momentum in operating performance and maintained market leadership, laying a strong foundation for sustainable growth in future.

KEY OPERATING DATA

	2019	2018	Change %
Mobile Business			
Customer Base (million)	950	925	2.7
Of Which: 4G Customer Base (million)	758	713	6.4
Net Additional Customers (million)	25	38	-33.4
Of Which: Net Additional 4G Customers (million)	45	63	-28.2
Average Minutes of Usage per User per Month (MOU) (minutes/user/month)	287	320	-10.4
Average Handset Data Traffic per User per Month (DOU) (GB/user/month)	6.7	3.6	85.5
Average Handset Data Traffic per 4G User per Month (DOU) (GB/user/month)	7.7	4.3	78.6
Average Revenue per User per Month (ARPU) (RMB/user/month)	49.1	53.1	-7.5
Broadband Business			
Wireline Broadband Customer Base (million)	187	157	19.4
Of Which: Household Broadband Customer Base (million)	172	147	17.1
Wireline Broadband ARPU (RMB/user/month)	32.8	33.5	-2.0
Household Broadband Blended ARPU (RMB/user/month)	35.3	34.4	2.7
IoT (Internet of Things) Business			
IoT Customer Base (million)	884	551	60.3

OPERATING PERFORMANCE

The Group continued to comfortably maintain market leadership in 2019. Telecommunications services revenue has successfully reversed its unfavourable downward trajectory recorded in the first half of 2019 and managed to deliver positive growth for full-year 2019. The Group has achieved a further enhancement to its revenue structure, where the respective proportions of revenues from “home”, “business” and “new” markets to total revenue have continuously increased. New drivers such as DICT and international business have also demonstrated sound growth momentum. 4G customer base has recorded a net addition of 45.36 million to reach 758 million. Amongst them, the number of VoLTE customers stood at 521 million. Handset DOU increased by 85.5% year-on-year to 6.7GB. The Group’s broadband business has also reported robust growth, with the number of household broadband customers increasing by 17.1% to reach 172 million. The Group’s “business” market has played a key role in fostering the Group’s overall revenue growth, with its corporate customer base reaching 10.28 million subsequent to a

net addition of 3.1 million. In the meantime, the number of IoT customers has registered a net addition of 333 million to reach 884 million.

CHBN “FOUR GROWTH ENGINES” SHOWING EARLY SIGNS OF SUCCESS

The “Customer” Market

The Group has taken a multi-pronged approach to cope with increasing competition arising from the homogeneous nature of industry operators. It has placed a special emphasis on customers and adopted the three strategies of convergence, integration and digitisation, making a concerted effort to devise a holistic operations model by combining “data access + applications + customer benefits”. It has also shifted its focus from increasing customer and data traffic market shares to nurturing loyalty of existing customers and enhancing the value of full life cycle. In 2019, full business bundling rate has increased by 33 percentage points and customer satisfaction rate has gone up from that of last year. In addition, the Group has upgraded the three popular brands of “GoTone”, “M-zone” and “Easy



Own”, rejuvenating them by providing new customer benefits, content and services, amongst others. All these efforts have resulted in a stronger sense of gain amongst customers, and the retention rate of mid – to high-end customers has been on a rise. Since the official announcement of the commercial launch of 5G packages, the Group has recorded an industry-leading number of 15.4 million 5G package customers as of the end of February 2020. The Group has also proactively promoted the popularisation of 5G devices, taking a number of promising sales and marketing measures to attract early users.

The “Home” Market

The Group remained committed to achieving “scale expansion, brand building, ecology cultivation and value uplift” for the “home” market. To achieve these goals, it has redoubled efforts to promote integrated development and consistently explored ways to add value to this business line. It has also stepped up measures to strengthen customer experience and continued to enhance broadband quality, creating a brand image of premium quality. This business line continued to demonstrate robust growth momentum, with household broadband customer base recording a net addition of 25.09 million to reach 172 million. Amongst them, the proportion of customers subscribing to products with bandwidth of 100Mbps or above has increased by 21.1 percentage points year-on-year to reach 88.1%. Driving further reforms on smart home business, the Group has stepped up additional efforts on TV content development and continuously enhanced products such as “smart home network deployment”, “Mobaihe” (a set-top box that provides high-definition video-on-demand service), “and-Mu” (a family surveillance camera). These initiatives, coupled with the Group’s endeavours to promote the bundle sales of “smart home network deployment” and home hardware and the complete opening-up of the corresponding service capabilities, have resulted in a significant boost to network access value. Household broadband blended ARPU has risen by 2.7% year-on-year to reach RMB35.3.

The “Business” Market

As the new driver of the Group’s revenue growth and business transformation and upgrade, the “business” market has stepped up a number of measures to strengthen basic capacities and promote innovative business practices. The Group has worked further on the integrated development of “network+ cloud+ DICT” for this business line, leading to a further enhancement to market competitiveness and contribution to the Group’s total revenue. DICT revenue has registered a year-on-year increase of 48.3% to RMB26.1 billion. Of which, mobile cloud revenue has propelled a year-on-year increase of 59.3% to RMB2 billion. Revenues from IDC and ICT have also recorded respective year-on-year increases of 46.8% and 163.5%. Taking full advantage of 5G, the Group has swiftly set up demonstrative showcases of 5G application scenarios for the vertical market, aiming at a number of industry sectors. As of the end of 2019, it has implemented 50 Group-level applications. The Group will continue to join hands with industry partners, cultivating accommodative industry ecology inclusive of the vertical market and building three types of resource pools which gather resources from industry partners providing devices, applications and integrated services.

The “New” Market

The Group has scaled up efforts to develop the international market and to seek more investment cooperation opportunities. It has proactively promoted a number of businesses including video aggregation on the MIGU platform, ultra-high definition VR, video connecting tones, cloud-based games, satisfying the demands from 2C and 2H markets. The Group has also worked further on integrating its core businesses with financial services, building new, holistic business ecology. As for international expansion, the Group has maintained market leadership in LTE roaming coverage and established three international business brands of CMLink, iConnect and iSolutions. The “Hand-in-hand” program has registered more than 2,900 million users on a global scale. With respect to digital content and Internet finance, the number of “video connecting tone” users has recorded a year-on-year increase of 442% and that of “cloud-based game” users has exceeded 17.57 million. At the same time, the number of monthly active users of the core functions of “and-Wallet” has increased by 58.9%, and the number of merchants has increased by 49.5%.

CONTINUOUSLY STRENGTHENING CUSTOMER SERVICES

Making every endeavour to promote high-quality development, the Group has taken the lead amongst its peers to achieve service and value upgrades. In 2019, the Group continued to show unwavering devotion to providing exceptional customer services and place a relentless focus on its valued customers, further increasing customer satisfaction and loyalty.

The Group has persistently taken measures to enhance customer perception. Last year, by carefully looking into major customer concerns, the Group has thoroughly analysed the root causes of complaints and examined key factors that undermined customer satisfaction and network quality. It has also scaled up efforts to improve the quality of mobile networks, home broadband, corporate dedicated lines and service platforms and launched thematic campaigns to protect customer interests. As a result, overall customer satisfaction has improved. As to the mobile market, handset data tariff has dropped by 47.2% year-on-year. The Group has fully implemented "Mobile Number Portability" as scheduled and has maintained a stable customer base overall. As to the broadband business, the Group has ensured the quality of broadband installation and maintenance services by introducing a service workflow that streamlines and shortens the handling time of these services, in addition to other initiatives that foster service transparency and facilitate whole-process management and control. Thanks to these efforts, the Group has achieved an industry-leading customer satisfaction rate in terms of household broadband installation and maintenance services. As to the corporate business, the Group has redoubled efforts to enhance end-to-end service support, fostering a responsive and centralised service delivery system that pools and coordinates resources from the entire network. Handling time for service inception has significantly shortened and the number of complaints has continued to go down.

The Group has stepped up efforts to persistently enhance products and services. Tariff plans presently on-shelf has been largely simplified and rules were made less complicated. The Group has put a focus on customer value and experience, and incorporated new service features into its business model by considering new elements from its new 5G network service capabilities and benefits provided by external partners. On top of these were the Group's initiatives on launching the 5G personal packages and family packages and implementing the "GoTone Through-Train" plan. It has also comprehensively driven the upgrade of the three major brands. In an effort to achieve a brand image with "exceptional taste, quality and character", it continued to enhance benefits for GoTone customers, formulated and implemented product communication strategies for M-zone, and launched a new suite of services for Easy Own regular customers. The Group has also scaled up efforts to promote channel transformation, where more traditional services are available from smart-based channels and the Internet. Overall, the proportion of transactions handled by online channels has gone up to 58.8% year-on-year. By introducing new forms of cooperation, the Group was able to obtain more than 1 million omni-channel retailers. The Group has also proactively explored grid operations, where each grid forms a separate base-layer business unit fulfilling general sales duties to better satisfy customer needs and make timely responses, thus injecting vigour into the company at the base level.

STRENGTHENING BUSINESS TRANSFORMATION

5G has reached a new stage of development and set new trends. The Group has kept abreast of the times, making every correct move to firmly build up capabilities for key areas and making good preparation for sustainable growth.

The Group has been constantly raising the bar for network capabilities. As of the end of 2019, it has built a total of 4.48 million base stations for its mobile networks, of which, 3.09 million were 4G base stations. The Group has also obtained an industry-leading 4G Customer Net Promoter Score and 4G network satisfaction. In respect of 5G, the Group has proactively driven 5G network development, building more than 50,000 5G base stations and providing 5G commercial services in 50 cities. In these cities, the Group has completed upgrades and transformation on NSA in areas where both 4G and 5G networks were simultaneously covered. By doing so, the Group was able to meet network capacity needs during the initial phase of 5G commercialisation. It has also promoted the maturity of SA products and industry development, and completed transformation of the 5G SA core network for pre-commercialisation in Nanjing. In addition, the Group has continued to strengthen broadband coverage and quality. It has laid down a set of principles that give priority to nurturing platform capabilities and deploy ports based on market demands. Accordingly, the Group has made suitable advance planning on building up Gigabit network capabilities and aligned its construction efforts with market development. Besides, the Group has scaled up efforts to expedite the construction of dedicated cloud-based networks and by leveraging cloud-network synergy, it has managed to enhance business competitiveness. The Group has also devised a new three-pronged strategy that puts a special focus on achieving global accessibility, global network construction and global deployment. Following this strategy, the Group has boosted its ongoing work to build up basic network resources on a global scale, including laying international submarine cables, cross-border terrestrial cables and PoPs (points of presence) especially in areas covered by the "Belt and Road Initiative".

The Group continued to bolster its own abilities and build up a remarkable pool of proprietary resources. Besides its ongoing effort to promote the maturity of the 5G standard, the Group has established a mechanism for the commercial use of end-to-end technologies and, following which, these technologies are able to speak in sync with their international counterparts and meet case implementation requirements. These initiatives helped the Group deliver a well-developed suite of 5G technologies. The Group has also scaled up research efforts on the technical aspects of 5G security, taking initiatives to complete China's first 5G security standards for the industry and formulating 5G security standards for corporates. In addition, the Group continued to enhance core competences with a special focus on the requirements of cloud, launching the Big Cloud 5.0 Product Series. The Group has also launched the Pioneer 300 Plan and formulated strategies for edge computing technology. Amongst its peers, the Group was the first operator to launch a proprietary cloud platform using edge technology. This compact platform is easy to operate and maintain and has already entered the trial stage. Further, the Group has continuously enriched value-added offerings under the IoT OneNET platform, supporting implementation of various industry projects. The Group has also centralized its AI (Artificial Intelligence) development platform, making it online and available to all units within the Group. It has also incubated a number of AI applications including smart networks, smart audits, smart editing, industry quality control and smart film diagnoses.

CONTINUOUSLY ENHANCING INVESTMENT EFFICIENCY

Entering a crucial phase of business transformation and 5G network construction, the Group will focus on laying a solid foundation for the integrated development of the CHBN “four growth engines” and asserting ongoing 5G market leadership over the next course of development. It will also step up efforts to exercise strong investment discipline and achieve a refined investment structure, deploying resources to meet the demands arising from evolving market competition in the most rational manner and enhancing investment efficiency.

To provide strong support for business growth, the Group has incurred an actual capital expenditure of RMB165.9 billion for 2019. Capital expenditure to service revenue ratio has fallen by 0.3 percentage points from that of last year, demonstrating enhanced investment efficiency. Capital expenditure was spent mainly on, amongst other areas, strengthening 5G first-mover advantage, supporting 4G data traffic growth, bettering the deployment of cloud resources, promoting cloud-based network transformation, building up transmission capability and boosting IT support.

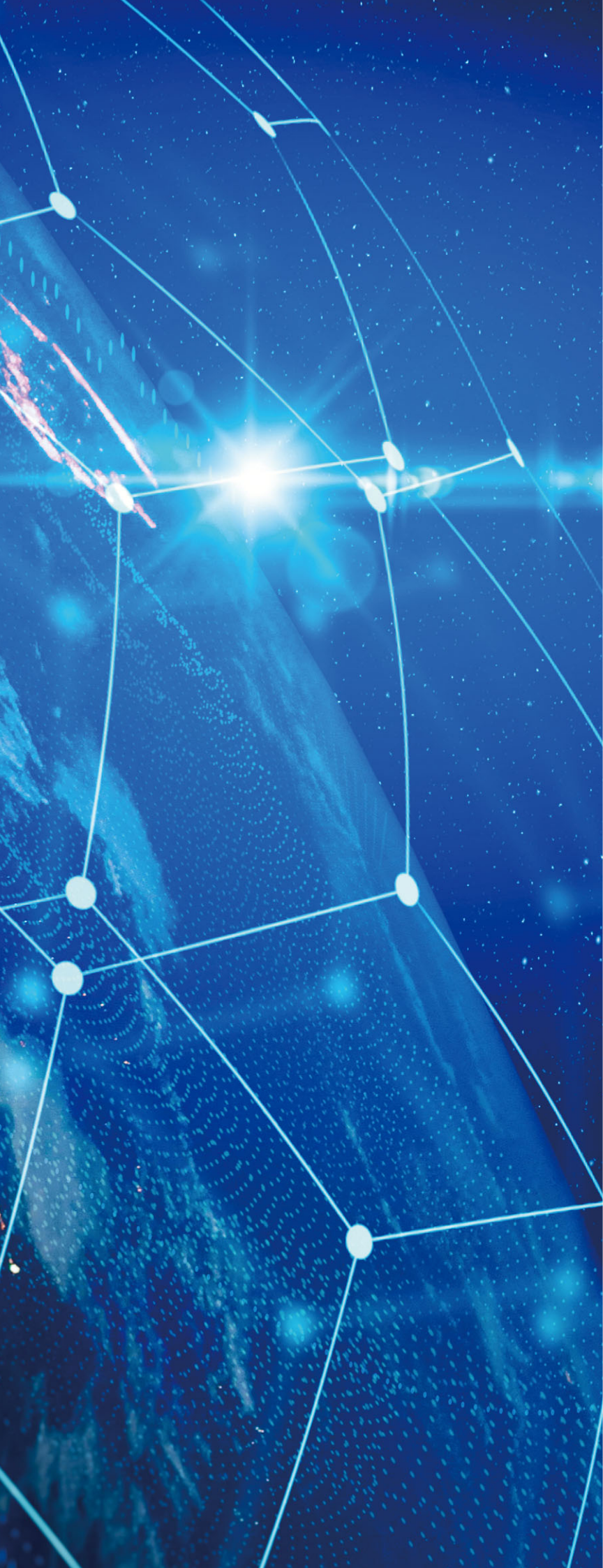
The Group plans to spend total capital expenditure of RMB179.8 billion for 2020. Capital expenditure will serve for a variety of purposes which primarily include the proactive build-out of the 5G network, the construction of cloud-based infrastructure, support for the all-rounded development of the “four growth engines” and enhancements to smart operations. The capital requirements under this capital expenditure plan will be primarily sourced from the cash generated from the Group’s operating activities. With a view to satisfying business transformation needs and striving to continuously lift resource utilisation efficiency, the Group will continue to make scientific and rational allocation and deployment of resources and make targeted investments and construction considering the needs arising from use cases.



5G⁺⁺

+ ECOLOGY
Collaborative
Cultivation





Financial Review



We were faced with a challenging and complicated operating environment in 2019 where the upside of data traffic was rapidly diminishing and competition within the telecommunications industry and from cross-sector players was becoming ever more intense. Coupled with this was the impact of government policies, including the continued implementation of the “speed upgrade and tariff reduction”. Towards our ultimate goal of becoming a world-class enterprise by building a dynamic “Powerhouse”, we deepened our reforms to organizational systems, promoted our business transformation and insisted on creating value in our operations. We announced and implemented our “5G+” plan, resulting in continuous growth in revenue, persistently good profitability and positive growth momentum.

	2019	2018	Change
Operating revenue (RMB million)	745,917	736,819	1.2%
Revenue from telecommunications services (RMB million)	674,392	670,907	0.5%
Revenue from sales of products and others (RMB million)	71,525	65,912	8.5%
EBITDA (RMB million)	295,967	275,541	7.4%
EBITDA margin	39.7%	37.4%	2.3pp
Profit attributable to equity shareholders (RMB million)	106,641	117,781	-9.5%
Margin of profit attributable to equity shareholders	14.3%	16.0%	-1.7pp
Basic earnings per share (RMB)	5.21	5.75	-9.5%

The Company persistently allocated its resources by ensuring a sufficient budget for areas essential to promote growth while reducing and controlling expenses on certain selected areas, continuously stepped up measures to reduce costs and enhance efficiency, and improved its efficiency in resource utilization. The Company's operational efficiency has remained favorable, thereby maintaining its profitability at a leading level among international first-class telecommunications operators and continuously creating value for shareholders.

OPERATING REVENUE

In 2019, the Group's operating revenue reached RMB745.9 billion, up by 1.2% compared to the previous year, of which revenue from telecommunications services was RMB674.4 billion, up by 0.5% compared to the previous year. With the Group's acceleration of business transformation and adherence to high-quality development as well as the gradual disappearance of the carryover effect resulting from the cancellation of data roaming charges in July 2018, revenue from telecommunications services saw a pleasing increase in the second half of 2019, achieving the established goal of resuming year-on-year growth in the revenue from telecommunications services.

Revenue from Voice Services

The Group's voice services business continued to decline, with the annual revenue from voice services being RMB88.6 billion, down by 18.0% compared to the previous year. Total voice usage decreased by 7.5% compared to the previous year.

Revenue from Data Services

Revenue from data services was RMB565.0 billion, up by 4.2% compared to the previous year, representing 83.8% of revenue from telecommunications services, up by 3.0 percentage points compared to the previous year.

The Group insisted on creating value in its operations. The annual revenue from wireless data traffic was RMB385.0 billion, up by 0.4% compared to the previous year, and was a key driver for the turnaround of the growth in the annual revenue from telecommunications services. Revenue from SMS/MMS services was RMB28.6 billion, down by 0.5% compared to the previous year.

The Group maintained a strong growth in its broadband customer base, and at the same time launched quality improvement actions on its household broadband and corporate dedicated lines and enhanced the quality of supporting services, boosting overall household customer perception. Revenue from wireline broadband services reached RMB68.8 billion, up by 26.8% compared to the previous year, continuously maintaining a relatively strong growth momentum.

The Group continued to promote business transformation and nurture new revenue growth drivers, with its DICT, video, Mobaihe and other businesses developing well. Meanwhile, with a focus on product quality and customer experience, the customer activity and satisfaction levels of related businesses improved significantly. Revenue from applications and information services was RMB82.5 billion, up by 9.0% compared to the previous year.

Revenue from Sales of Products and Others

Driven by the sales of ICT equipment, IoT and other smart devices, revenue from the sales of products and others was RMB71.5 billion, up by 8.5% compared to the previous year. The Group's device sale business mainly serves to facilitate the expansion of core telecommunications services, and hence its profit contribution is relatively low.

OPERATING EXPENSES

The Group has continued to actively promote its low-cost, high-efficiency operating model, thoroughly stepped up measures to reduce costs and enhance efficiency, and comprehensively disposed of assets of low or no cost-effectiveness, thereby resulting in better cost control. Meanwhile, the Group will endeavour to strike a balance between its short-term performance and long-term development in order to maintain its favourable profitability.

In 2019, the Group's operating expenses were RMB632.8 billion, up by 2.8% compared to the previous year. Operating expenses represented 84.8% of operating revenue.

	2019 RMB million	2018 RMB million	Change
Operating expenses	632,768	615,432	2.8%
Network operation and support expenses	175,810	200,007	-12.1%
Depreciation and amortization	182,818	154,154	18.6%
Employee benefit and related expenses	102,518	93,939	9.1%
Selling expenses	52,813	60,326	-12.5%
Cost of products sold	72,565	66,231	9.6%
Other operating expenses	46,244	40,775	13.4%

Note: To better reflect our cost behavior, the Company has adjusted the presentation of line items relating to expenses for 2019, and has also re-classified the comparable figures for 2018 for consistency and comparability.

Network Operation and Support Expenses

Network operation and support expenses were RMB175.8 billion, down by 12.1% compared to the previous year and representing 23.6% of operating revenue. The decrease was partly due to the Group's adoption of the new accounting standard on leases which resulted in part of the leasing fee being recognized as depreciation and amortization as well as finance costs. On a comparable basis with network operation and support expenses of 2019 recognized as if the new accounting standard on leases had not been adopted, the corresponding expenses were up by 0.3% compared to the previous year. Tower leasing fee of 2019 on a comparable basis was RMB41.5 billion, up by 6.5% compared to the previous year.

Depreciation and Amortization

Depreciation and amortization was RMB182.8 billion, up by 18.6% compared to the previous year and representing 24.5% of operating revenue, of which the depreciation of right-of-use assets was RMB22.8 billion. The increase was partly due to the Group's adoption of the new accounting standard on leases which resulted in part of the network operation and support expenses being recognized as depreciation and amortization. On a comparable basis with depreciation and amortization of 2019 recognized as if the new accounting standard on leases had not been implemented, the corresponding expenses were up by 3.8% compared to the previous year.

Employee Benefit and Related Expenses

Employee benefit and related expenses were RMB102.5 billion, up by 9.1% compared to the previous year and representing 13.7% of operating revenue. The Group continued to optimize its personnel structure and improve the efficiency and effectiveness of its human resource management, providing strong personnel support for the Group's development.

Selling Expenses

Selling expenses were RMB52.8 billion, down by 12.5% compared to the previous year and representing 7.1% of operating revenue. The Group actively promoted the transformation of its sales and marketing model and enhanced its comprehensive sales and marketing service level, with the efficiency of its utilization of selling expenses significantly improved.

Cost of Products Sold

Cost of products sold was RMB72.6 billion, up by 9.6% compared to the previous year and representing 9.7% of operating revenue. The increase was mainly driven by the growth in revenue from sales of products.

Other Operating Expenses

Other operating expenses were RMB46.2 billion, up by 13.4% compared to the previous year and representing 6.2% of operating revenue. The increase was mainly due to a rise in asset retirement and write-off as well as credit impairment loss; meanwhile, the Group increased its investments in innovation, resulting in a rise in R&D-related expenses.

Profitability

In 2019, the Group's profitability continued to be industry-leading. Profit from operations was RMB131.1 billion, down by 6.8% compared to the previous year. EBITDA was RMB296.0 billion, and EBITDA margin was 39.7%, up by 2.3 percentage points compared to the previous year. Impacted by the limited growth in revenue, the spending on business transformation and the continuous rise in rigid expenditures, profit attributable to equity shareholders was RMB106.6 billion and its margin was 14.3%.

	2019 RMB million	2018 RMB million	Change
Profit from operations	113,149	121,387	-6.8%
Other gains	4,029	2,906	38.6%
Interest and other income	15,560	15,885	-2.0%
Finance costs	3,246	144	2154.2%
Income from investments accounted for using the equity method	12,641	13,861	-8.8%
Taxation	35,342	35,944	-1.7%
Profit attributable to equity shareholders	106,641	117,781	-9.5%

CAPITAL STRUCTURE

The Group's financial position continued to remain robust. As at the end of 2019, total assets and total liabilities were RMB1,629.2 billion and RMB522.0 billion, respectively. The liabilities to assets ratio was 32.0%.

The Group consistently and firmly adhered to its prudent financial risk management policies and maintained sound repayment capabilities. The effective interest coverage multiple was 40 times.

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million	Change
Current assets	529,866	535,116	-1.0%
Non-current assets	1,099,374	1,000,794	9.9%
Total assets	1,629,240	1,535,910	6.1%
Current liabilities	462,067	474,398	-2.6%
Non-current liabilities	59,884	5,703	950.0%
Total liabilities	521,951	480,101	8.7%
Non-controlling interests	3,516	3,404	3.3%
Total equity attributable to shareholders	1,103,773	1,052,405	4.9%
Total equity	1,107,289	1,055,809	4.9%

FUND MANAGEMENT AND CASH FLOW

The Group consistently and firmly adhered to its sound and prudent financial policies and stringent fund management systems and strived to maintain a healthy cash flow level, thereby ensuring the safety and integrity of its funds through its highly centralized management of investing and financing activities. Meanwhile, the Group continued to reinforce its centralized fund management efforts and made appropriate allocations of its funds, thereby enhancing the efficiency of funds utilization.

In 2019, the Group's cash flow remained healthy. Net cash inflow from operating activities, net cash outflow from investing activities and net cash outflow from financing activities were RMB247.6 billion, RMB64.2 billion and RMB64.9 billion, respectively. Free cash flow was RMB81.7 billion. After the adoption of the new accounting standard on leases, the cash repayment of principal and interest of lease liabilities is reflected in the cash outflow from financing activities instead of operating activities. As at the end of 2019, the Group's cash and bank balances were RMB317.2 billion, of which 96.5%, 1.3% and 2.1% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively. The robust fund management and healthy cash flow provided a solid foundation for the sustainable healthy development of the Group.

	2019	2018	
	RMB million	RMB million	Change
Net cash inflow from operating activities	247,591	206,151	20.1%
Net cash outflow from investing activities	64,206	212,231	-69.7%
Net cash outflow from financing activities	64,901	57,820	12.2%
Free cash flow	81,713	39,076	109.1%

CREDIT RATINGS

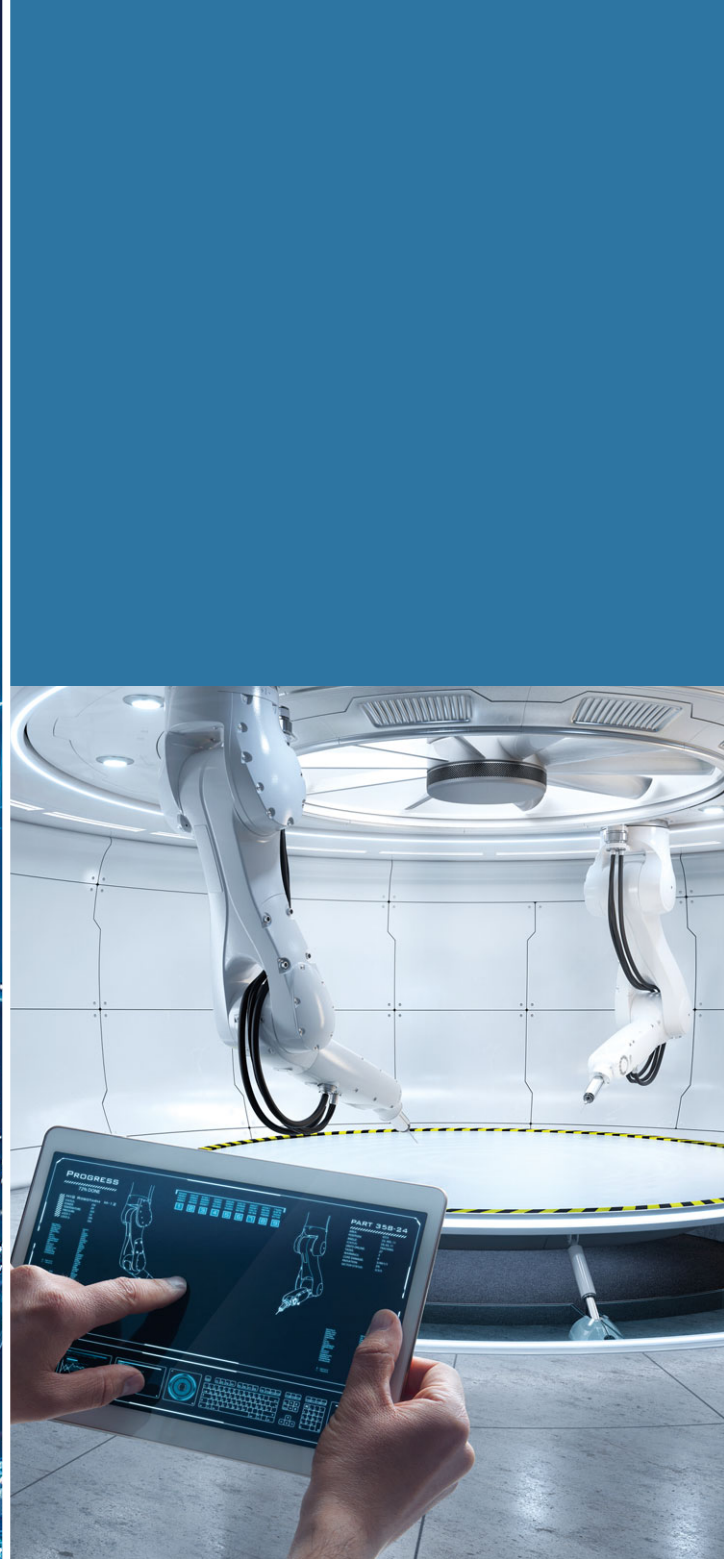
Currently, the Company's corporate credit ratings are equivalent to China's sovereign credit ratings, namely, A+/Outlook Stable from Standard & Poor's and A1/Outlook Stable from Moody's. These ratings reflect that the Group's sound financial strength, favourable business potential and solid financial management are highly recognized by the market.

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+ X

Wider Applications





Corporate Governance Report

Our goal has always been to enhance our corporate value, maintain our sustainable long-term development and generate greater returns for our shareholders. In order to better achieve the above objectives, we have established good corporate governance practices following the principles of integrity, transparency, openness and efficiency, and have implemented sound governance structure and measures. We have established and improved various policies, internal controls and other management mechanisms and procedure for the key participants involved in good corporate governance, including shareholders, board of directors and its committees, management and staff, internal auditors, external auditors and other stakeholders (including our customers, local communities, industry peers, regulatory authorities, etc.).

In addition, as a company listed in both Hong Kong and New York, we also set forth in this report a summary of the significant differences between the corporate governance practices of the Company and the corporate governance practices required to be followed by U.S. companies under the NYSE's listing standards.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

Our Board of Directors (the "Board") is responsible for performing the corporate governance duties and setting out the terms of reference on corporate governance functions. Throughout the financial year ended 31 December 2019, the Company has complied with all code provisions of the Corporate Governance Code (the "CP") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), except for the following matters:

- (i) the Company and its directors (including independent non-executive directors ("INEDs")) have not entered into any service contract with a specified term. All directors of our Company are subject to retirement by rotation and re-election at our annual general meetings (the "AGM(s)") every three years, and all newly-appointed directors are subject to re-election by shareholders at the first AGM after their appointment; and
- (ii) Mr. LI Yue resigned from his positions as an Executive Director and the Chief Executive Officer of the Company with effect from 11 October 2019, following which the position of Chief Executive Officer has remained vacant.

We require our Board, the Board committees and other internal organs to strictly comply with their internal procedures in accordance with the principles of the CP. The following are the major respects in which China Mobile meets or exceeds the principles of the CP:

- ✓ More than one-third of the Board (4 out of 7 as of 31 December 2019) are INEDs.
- ✓ China Mobile discloses the interests of its directors and senior management in the shares of China Mobile and their confirmation of compliance with the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code").
- ✓ We publish the terms of reference and membership of the board committees on the Company's and the HKEX's websites.
- ✓ All members of our board committees are INEDs, with appropriate professional qualifications and/or expertise in business management, accounting and financial management, legal and compliance, artificial intelligence and scientific research, and so forth.
- ✓ China Mobile provides trainings to its directors and management on an annual basis.
- ✓ Each director discloses to the Company at the time of his appointment and then annually for any change of, his position holding in any public companies or organizations and other significant commitments.

- ✓ China Mobile publishes a Sustainability Report along with its annual report for thirteen consecutive years, reporting its performance on ESG issues, which, in many respects, exceed the terms of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules.
- ✓ We give more than 20 working days' notice for our AGMs.
- ✓ Our principal executive and principal financial officers shall make annual written statements to the United States Securities and Exchange Commission ("US SEC"), and our management shall make annual back-up certifications to the Company, confirming their personal responsibilities with respect to a series of risk management and internal controls.
- ✓ Our Audit Committee conducts annual evaluation with respect to the effectiveness of risk management and internal control and procedures, and publishes its results.
- ✓ The Company and its operating subsidiaries have set up internal audit departments, which independently audit the business units of the Company and its operating subsidiaries.

SHAREHOLDERS

The Company is established in Hong Kong and owned by all shareholders. Our ultimate controlling shareholder is CMCC, which, as of 31 December 2019, indirectly held approximately 72.72% of the total number of issued shares of the Company. The remaining approximately 27.28% of the total number of issued shares were held by public investors. During 2019, there is no change in the Articles of Association (the "Articles") of the Company, which are available on our website and the HKEXnews website.

Shareholder Rights

According to the Articles and the Companies Ordinance (Cap 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"), shareholders holding the requisite voting rights may: (i) move a requisition to move a resolution at the AGM; (ii) requisition to convene an extraordinary general meeting (the "EGM"); and (iii) propose a person other than a retiring director for election as a director at a general meeting. Such details and procedures are available in our website.

Shareholders may make inquiries in writing to the Board. The requisition must be deposited at our registered office at 60/F, The Center, 99 Queen's Road Central, Hong Kong (the "Registered Office"), for the attention of the Company Secretary, providing sufficient contact information so that such inquiries can be properly handled. In addition, shareholders may also raise their concerns and suggestions in the Q&A session at our AGMs.

I. Requisition to move a resolution at an AGM

The Company holds a general meeting as its AGM every year, which is usually held in May. In accordance with section 615 of the Hong Kong Companies Ordinance, a requisition to move a resolution at the AGM may be submitted by:

- (i) any number of shareholders representing not less than one-fortieth (1/40th) of the total voting rights of all shareholders having the right to vote on that resolution at the AGM; or
- (ii) not less than 50 shareholders having the right to vote on that resolution at the AGM.

The requisition must identify the resolution and must be signed by all the requisitionists. The requisition must be deposited at the Registered Office, for the attention of the Company Secretary, not later than:

- (i) 6 weeks before the AGM to which the request relates; or
- (ii) if later, when the Notice of AGM is dispatched.

II. Requisition to convene an EGM

Shareholders holding not less than one-twentieth (1/20th) of the total voting rights of all the members having a right to vote at general meetings of the Company can deposit a requisition to convene an EGM pursuant to sections 566 to 568 of the Hong Kong Companies Ordinance. The requisition must state the general nature of the business to be dealt with at the meeting, and must be signed by the requisitionists. The requisition must be deposited at our Registered Office for the attention of the Company Secretary.

III. Proposing a person other than a retiring director for election as a director at a general meeting

If a shareholder wishes to propose a person other than a retiring director for election as a director at a general meeting, he/she must lodge a written notice to that effect at our Registered Office for the attention of the Company Secretary. The written notice must state the full name and biographical details of the person proposed for election as a director as required by Rule 13.51(2) of the Hong Kong Listing Rules and signed by such shareholder. A written notice signed by the person proposed for election as a director indicating his/her willingness to be elected must also be lodged with the Company. The above shall be dispatched during a period of not less than seven days commencing no earlier than the dispatch of the notice of the AGM and at least seven days before the date of the AGM.

For requesting the Company to circulate to shareholders a statement with respect to a matter mentioned in a proposed resolution or any other business to be dealt with at a general meeting, shareholders are requested to follow the requirements and procedures as set out in section 580 of the Hong Kong Companies Ordinance.

Shareholder Value and Communication

The Company's established principle is to strive to create value and bring favorable returns for shareholders. The Company believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for the Company's future development while continuing to create higher value for our shareholders.

Financial Year		Ordinary	Special	Total
		Dividend	Dividend	Dividend
		Per Share	Per Share	Per Share
		(HKD)	(HKD)	(HKD)
2019	final ¹	1,723	–	3.250
	interim	1.527	–	
2018	final	1.391	–	3.217
	interim	1.826	–	
2017	final	1.582	–	6.405
	interim	1.623	3.200 ²	
2016	final	1.243	–	2.732
	interim	1.489	–	
2015	final	1.196	–	2.721
	interim	1.525	–	

¹ Pending approval at the AGM.

² Being a special dividend of HK\$3.200 per share in celebration of the 20th anniversary of our public listing.

To ensure the effective communications between the Company and its shareholders, we have formulated the communication policies with shareholders. We regularly review these policies to ensure its effectiveness. We have established an investor relations department, dedicated to provide necessary information and services to, and communicate with, shareholders and investors and other participants in the capital market, to maintain an active dialogue with them and make sure they are fully informed of the Company's operation and development.

We use a number of formal channels to report to shareholders on the performance and operations of the Company, particularly through our annual and interim reports. Generally, when announcing interim results, annual results or any major transactions in accordance with the relevant regulatory requirements, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to the shareholders, investors and the general public, listen to their opinions and address any questions that they may have. In addition, the Company adheres to the practice of voluntarily disclosing on a quarterly basis certain key, unaudited operational and financial data, and on a monthly basis the net increase in the number of customers on its website to further increase the Group's transparency and to provide shareholders, investors and the general public with additional information so as to facilitate their understanding of the Group's operations.

The Company maintains close communication with investors through investment conferences, one-on-one meetings, video-conferencing and other forms of exchange interaction to timely deliver our operating conditions to the capital markets. In 2019, our management attended 21 investor conferences and 132 routine investor meetings, and met with an aggregate of 1147 investors. We will continue our efforts to enhance the investor relations work.

The Company also attaches high importance to the AGMs, and makes substantial efforts to enhance communications between the Board and the shareholders. At the AGMs, the Board always makes efforts to fully address the questions raised by shareholders. In 2019, we held our AGM on 22 May 2019 in the Ballroom, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong. The major items discussed and the percentage of votes cast in favor of the resolutions are set out as follows:

1. The review and consideration of the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2018 (99.9942%);
2. The declaration of a final dividend for the year ended 31 December 2018 (99.9983%);
3. The re-election of Mr. YANG Jie and Mr. DONG Xin as executive directors (98.8479% and 99.0505%);
4. The re-election of Dr. Moses CHENG Mo Chi and Dr. YANG Qiang as independent non-executive directors (85.5337% and 99.7497%);
5. The re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as auditors of the Group for Hong Kong financial reporting and US financial reporting purposes, respectively, and authorizing the Board to fix their remuneration (99.7631%);
6. To give a general mandate to the directors of the Company to buy back shares in the Company not exceeding 10% of the number of issued shares (99.9478%);
7. To give a general mandate to the directors of the Company to allot, issue and deal with additional shares in the Company not exceeding 20% of the number of issued shares (83.1135%);
8. To extend the general mandate granted to the directors of the Company to allot, issue and deal with shares by the number of shares bought back (83.3227%).

All resolutions were duly passed at the 2019 AGM. As at the date of the AGM, the number of issued shares of the Company was 20,475,482,897 shares, which was the total number of shares entitling the holders to attend and vote for or against all the resolutions proposed at the AGM. No shareholders were required to abstain from voting on the resolutions proposed at the AGM. Hong Kong Registrars Limited, the share registrar of the Company, acted as scrutineer for vote-taking at the AGM. Poll results were announced at the meeting and on the websites of the Company and the HKEXnews on the day of the AGM.

Shareholders' Calendar

The following table sets out the tentative key dates for our shareholders for the financial year ending 31 December 2020. Such dates are subject to change pursuant to actual situations. Shareholders should note our announcements issued from time to time.

FY 2020 Shareholders' Calendar

19 March	Announcement of final results and final dividend for the financial year ended 31 December 2019
14 April	Upload of 2019 annual report on the websites of the Company and the HKEX
15 April	Dispatch of 2019 annual reports to shareholders
20 May	2020 AGM
End of June	Payment of final dividend for the financial year ended 31 December 2019
Mid-August	Announcement of interim results and interim dividend for the six months ending 30 June 2020, if any
End of September	Payment of interim dividend for the six months ending 30 June 2020, if any

THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The Board of Directors

The key responsibilities of the Board include, among others, formulating the Group's overall strategies, setting management targets, monitoring internal controls and financial management, supervising the performance of our management, developing and reviewing the policies and practices of corporate governance (the Terms of Reference of its corporate governance function are available on the websites of our Company and the HKEXnews), while day-to-day operations and management are delegated by the Board to the executives of the Company. The Board operates in accordance with established practices (including those relating to reporting and supervision).

The Board currently comprises seven directors, namely Mr. YANG Jie (Chairman), Mr. WANG Yuhang and Mr. DONG Xin (CFO) as executive directors, and Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu, Mr. Stephen YIU Kin Wah and Dr. YANG Qiang as INEDs. The list of directors and their role and function is available on the websites of our Company and HKEXnews. The biographies of our directors are presented on pages 6 to 9 of this annual report and on our website.

Mr. LI Yue resigned from his positions as an Executive Director and CEO of the Company by reason of age with effect from 11 October 2019. Mr. Li has confirmed that there is no disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

As proposed by the Nomination Committee of the Company and after review and approval by the Board, Mr. YANG Jie was appointed as the Executive Director and Chairman of the Company with effect from 21 March 2019. Mr. WANG Yuhang was appointed as an Executive Director of the Company with effect from 24 October 2019. The Company has not entered into any service contract with Mr. Yang and Mr. Wang which provides for a specified length of service. They both will be duly subject to retirement by rotation and re-election at the AGMs of the Company in accordance with the Articles of Association of the Company.

Board meetings are held at least once a quarter and as and when necessary. Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting as appropriate. In 2019, none of the Directors were required to abstain from voting in these circumstances.

During the financial year ended 31 December 2019, the Board met on five occasions and the directors' attendances at the meetings are as follows:

	Board of directors	Audit committee	Remuneration committee	Nomination committee	AGM
<i>INEDs</i>					
Dr. Moses CHENG Mo Chi	5	5	4	1	1
Mr. Paul CHOW Man Yiu	5	5	4	2	1
Mr. Stephen YIU Kin Wah	5	5	4	2	1
Dr. YANG Qiang	4	4	–	–	1
<i>Executive Directors</i>					
Mr. SHANG Bing ³	–	–	–	–	–
Mr. YANG Jie ⁴ (Chairman)	5	–	–	–	1
Mr. LI Yue ⁵ (CEO)	2	–	–	–	0
Mr. WANG Yuhang ⁶	1	–	–	–	–
Mr. DONG Xin (CFO)	5	–	–	–	1

³ With effect from 4 March 2019, Mr. Shang resigned from his position as an Executive Director and Chairman of the Company.

⁴ With effect from 21 March 2019, Mr. Yang was appointed as an Executive Director and the Chairman of the Company.

⁵ With effect from 11 October 2019, Mr. Li resigned from his position as an Executive director and CEO of the Company.

⁶ With effect from 24 October 2019, Mr. Wang was appointed as an Executive Director of the Company.

All board meetings and committee meetings were attended by the directors in person or by telephone conferencing. In 2019, the Board has met and discussed the matters relating to the annual results, interim results, dividend, continuing connected transactions, corporate strategic planning, annual investment status, acquisition of "Village Connect", adjustments to the composition of the Board and its committees, sustainability report, adoption of share option scheme, compliance with the newly amended Corporate Governance and related Listing Rules provisions and others. In addition, the Board reviewed and approved our quarterly results by means of written resolutions.

The Board is responsible for performing the corporate governance duties and setting and reviewing the terms of reference on corporate governance functions, which you may review or download on our company website, as well as our corporate governance policies and practices. In 2019, the Board met and discussed our corporate governance report.

The Board has adopted a Board Diversity Policy since September 2013. In considering the composition of the Board, diversity will be considered from a number of perspectives in accordance with our business model and specific needs, including professional experience and qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, knowledge of the laws and regulations applicable to the Group, age, gender, ethnicity, language skills and length of service etc. Such perspectives under the Board Diversity Policy shall be taken into account in recommending appointment and re-election of directors and be monitored on an on-going basis.

In 2019, the Board has adopted a Dividend Policy to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment and distribution of dividends to the shareholders of the Company, which includes, among others, in recommending or declaring dividends, the Company shall allow its shareholders to participate in the Company's profits whilst retaining adequate cash reserves for meeting its working capital requirements and long-term sustainable development. The Company shall also take into account the actual financial performance of the Group, the Group's business strategies and operations, including future capital requirements and investment needs; economic conditions and other internal or external factors that may have an impact on the business or financial performance and situation of the Group, and any other factors that the Board may consider relevant, etc.

To ensure the timely disclosure of any change of directors' personal information, we have set up a specific communication channel with each of our directors. There is no financial, business, family or other material relationships among members of the Board. The Company purchases a directors and officers' liabilities insurance on behalf of its directors and officers and reviews the terms of such insurance annually.

In compliance with the requirement of Hong Kong Listing Rules, the Company has received a confirmation of independence from each of our INEDs, namely Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu, Mr. Stephen YIU Kin Wah and Dr. YANG Qiang, and considers them to be independent. The Board is of the view that they not only are able to completely fulfill their responsibilities as an INED, but will also continue to play a role and contribute to our Board Committees. They being our INEDs will benefit the Company and all shareholders as a whole.

The directors have disclosed to the Company the positions held by them in other listed public companies or organizations or associated companies, and the information regarding their directorships in other listed public companies in the last three years is set out on pages 6 to 9 of this annual report and on the Company's website.

All our directors confirmed that they have complied with Paragraph A.6.5 of the Corporate Governance Code with respect to directors' training. Throughout the financial year ended 31 December 2019, we provided all our directors and management (including the newly-appointed director Mr. YANG Jie and Wang Yuhang) with trainings in relation to business, technology and new directorship.

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules to regulate the directors' securities transactions. Save and except for the interests disclosed in the report of the directors on page 65 of this annual report, none of the directors had any other interest in the shares of the Company as of 31 December 2019. All directors have confirmed, following specific enquiry by the Company that they have complied with the Model Code during the period between 1 January 2019 and 31 December 2019.

The directors of the Company are responsible for the preparation of the consolidated financial statements of the Company. The Company has received acknowledgments from the directors of their responsibility for preparing the financial statements and the declaration by the auditors of the Company about their reporting responsibilities. For the reporting responsibilities of the auditors with respect to our financial statements, please refer to the Independent Auditor's Report on pages 73 to 77 in this annual report.

THE BOARD COMMITTEES

The Board currently has three principal board committees, which are the Audit Committee, the Remuneration Committee and the Nomination Committee, and all of which are comprised solely of INEDs. With the appointment and authorization of the Board, each of the board committees operates under its written terms of reference. The terms of reference of the board committees are available on the HKEXnews' and the Company's websites, and can be obtained from the Company Secretary upon written request.

Audit Committee

Membership

The current members of the Company's Audit Committee are Mr. Stephen YIU Kin Wah (Chairman), Dr. Moses CHENG Mo Chi, Mr. Paul CHOW Man Yiu and Dr. YANG Qiang, who are all INEDs. The members of our Audit Committee possess professional qualifications in areas including finance, accounting and laws and have many years of experience and expertise in finance, legal, regulatory, artificial intelligence and/or business management.

Authorities and Responsibilities

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and to seek outside legal or other independent professional advice at the Company's expense. The duties of our Audit Committee are to be primarily responsible for, among other things, making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, dealing with any questions of resignation or dismissal of such auditors; reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; developing and implementing policies on the engagement of external auditors to provide non-audit services; monitoring the integrity of financial statements of the Company and the annual reports and accounts, interim report and, where applicable, quarterly reports, and reviewing significant financial reporting judgments contained in them; and overseeing the Company's financial reporting system, risk management and internal control procedures.

Work Done in 2019

In 2019, the Audit Committee met on five occasions and the attendance of each member is disclosed on page 49 of this annual report. In addition, the Audit Committee met with the external auditors for three times in 2019 and two of such meeting was held without any executive directors being present.

In 2019, the principal work performed by the Audit Committee includes:

- ✓ reviewed and approved the financial statements, annual results, report of the directors, financial review, etc. for the financial year ended 31 December 2018;
- ✓ reviewed and approved our 2018 Annual Report on Form 20-F, which was filed with the US SEC;
- ✓ reviewed and approved the 2018 conflict mineral report to be filed with the US SEC;
- ✓ reviewed and approved the interim results for the six months ended 30 June 2019;
- ✓ reviewed and approved the budgets and remuneration of the external auditors;
- ✓ reviewed and approved the assessment report on the disclosure controls and procedures;
- ✓ reviewed and approved the internal control assessment report;
- ✓ reviewed and approved the 2019 internal audit project plan and budget for external engagements;
- ✓ reviewed and approved the 2019 risk assessment report;
- ✓ reviewed and approved the 2018 evaluation report on accounting and financial reporting system;
- ✓ reviewed and approved the continuing connected transactions;
- ✓ reviewed and approved the report on compliance with relevant laws and regulations in 2018;
- ✓ reviewed and approved various internal audit reports;
- ✓ reviewed and approved the amendments of Terms of Reference of the Audit Committee; and
- ✓ reviewed and approved ERP centralized system application control test report.

In 2019, our Audit Committee has completed its review on risk management and internal control systems and their enforcement, and confirmed its discharge of its duties and responsibilities.

Remuneration Committee

Membership

The current members of the Company's Remuneration Committee are Dr. Moses CHENG Mo Chi (Chairman), Mr. Paul CHOW Man Yiu and Mr. Stephen YIU Kin Wah, who are all INEDs.

Responsibilities

The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive directors; to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time; to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment, and compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms; to ensure that no director or any of his associates is involved in deciding his own remuneration; to make recommendations to the Board on the policy and structure for remuneration of all directors, senior management and employees including salaries, incentive schemes and other share option schemes, and on the establishment of formal and transparent procedures for developing remuneration policy; to make recommendations to the Board on disclosure of directors' remuneration in the annual report (if applicable) sent by the Board to the shareholders; to make recommendations to the Board annually on whether the shareholders shall be requested to approve the policies set out in the report on directors' remuneration (if applicable) at the AGM.

Work Done in 2019

In 2019, the Remuneration Committee met on four occasions, during which the committee:

- ✓ considered and approved the remuneration package and other terms of appointment of the newly appointed directors;
 - ✓ resolved to approve the target and realized amounts of annual appraisal indicators of senior management; and
 - ✓ resolved to approve the adoption of Share Option Scheme.
-

Nomination Committee

Membership

The current members of the Company's Nomination Committee are Mr. Paul CHOW Man Yiu (Chairman), Dr. Moses CHENG Mo Chi and Mr. Stephen YIU Kin Wah, who are all INEDs.

Responsibilities

The duties of the Nomination Committee, among other things, are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the corporate strategy; to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; to assess the independence of independent non-executive directors; to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer.

Work Done in 2019

In 2019, the Nomination Committee met twice, during which the committee:

- ✓ resolved to approve the appointment of directors; and
 - ✓ resolved to approve the Director Nomination Policy.
-

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The Remuneration Committee is responsible for determining the remuneration packages of all executive directors and senior management. The remuneration package of our executive directors consists of a basic salary, a performance-linked annual bonus and a term incentive. The remuneration of independent non-executive directors is determined in part by reference to their experience, the prevailing market conditions and their workload as independent non-executive directors and members of the board committees of the Company. Please refer to note 11 to the consolidated financial statements on page 111 of this annual report for directors' and senior management's remuneration in 2019.

The Board has adopted a Director Nomination Policy. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. In evaluating and selecting any candidate for directorship, the following criteria should be taken into account:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, and consideration on diversity under the Board Diversity Policy;
- Requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

All newly-appointed directors receive a comprehensive induction of directors' duties to make sure that they have a proper understanding of the operations and business of the Company, and that they are fully aware of their responsibilities as a director, the listing rules of the stock exchanges on which the Company is listed, applicable laws and regulations, and the operation and governance policies of the Company. All newly-appointed directors are subject to re-election by shareholders at the first AGM after their appointment. Every director is subject to retirement by rotation and needs to stand for re-election at least once every three years.

The nomination and appointment of Mr. YANG Jie and Mr. WANG Yuhang in 2019 were conducted in accordance with the relevant policy. As proposed by the Board, each of Mr. Yang and Mr. Wang will receive an annual director's fee of HK\$180,000 as approved by the shareholders of the Company, which are payable on a time pro-rata basis for any non-full year's service. The remuneration of each of Mr. Yang and Mr. Wang has been determined by the Board with reference to his duties, responsibilities, experience, prevailing market conditions and so forth. Mr. Yang and Mr. Wang have voluntarily waived the above-mentioned fee.

MANAGEMENT AND EMPLOYEES

The task of the management and employees is to implement the strategy and direction as determined by the Board, to take care of day-to-day operations and functions of the Company, and to maintain the values and corporate culture of China Mobile. The division of responsibilities among our principal executive officers and senior management is set out in the biographies of directors and senior management on pages 6 to 11 of this annual report and on the Company's website.

The Company provides clear guiding principles for our management and employees to do what is right and obey all laws and regulations. They are also subject to various trainings and continuous professional development, including a variety of online learning and information sources, formal executive development programs and attendance at executive briefings on relevant topics. These principles cover all aspects of our operations.

Code of Ethics

For the purpose of promoting honest and ethical conducts and deterring wrongdoings, the Company, in 2004, adopted a code of ethics, which is applicable to our chief executive officer, chief financial officer, deputy chief financial officer, assistant chief financial officer and other designated senior officers of the Group, in accordance with the requirements of the SOX Act. In the event of a breach of the code of ethics, the Company may take appropriate preventive or disciplinary actions after consultation with the Board. The code of ethics has been filed with the U.S. SEC as an exhibit to our annual report on Form 20-F for the financial year ended 31 December 2003, which may also be viewed and downloaded from our website.

Management Mechanism

The Company has established decision-making policies and implementation method. We keep refining our major issue catalogue and criteria to prevent risks in decision-making. We have continuously strengthened the inspection mechanism, especially on key areas such as procurement biddings to look for loopholes in our management system and resolve them. Within the Group, we urge for honest operation, healthy development, good performance and shareholders' interest protection.

The Company further optimized our management system and improved our business processes, thereby establishing a stringent internal control system and comprehensively preventing risks. We have formulated the Anti-Bribery Guidance for employees to learn more about business bribery and how to identify and deal with it. In 2019, to further improve our "Safeguarding Compliance" management mechanism, we conducted compliance review prior to actions such as devising major marketing strategies and procurement planning, and entering into major contracts, continued carrying out compliance risk prevention and control in key areas. In 2019, we complied the Intellectual Property Compliance Guidelines and the Business Partnership Compliance Guidelines for our frontline personnel. In addition to organizing trainings on compliance risk prevention within the Group, we also set up an online learning zone on compliance in 2019. With respect to anti-corruption, we continued to improve our 4-in-1 anti-corruption system combining education, prevention, punishment and accountability. We adjusted the performance evaluation indicators of embedded prevention and control in 2019 to urge the responsible departments to discover their own problems. Meanwhile, we further strengthened our internal audit by demanding rectification of all issues found in the audit process and holding the relevant personnel accountable for major cases of violation and loss discovered during audits. We conducted anti-corruption trainings and education for employees, which have also been expanded to our suppliers by having them sign a clean commitment agreement. In 2019, we continued to carry out anti-corruption education monthly activities, organized a total of 4,960 educational activities covering more than 90% employees.

For whistle blowing, the Company has set an Post Office Box, an e-mail account, a telephone hotline, work site, CEO mailbox and other channels to encourage employees and the public to raise concerns about misconducts, malpractices or irregularities in any matters related to the Company. The Company will protect the whistleblowers' lawful rights and interests and keep the reported issues, the status of investigations and the relevant information of whistleblowers strictly confidential. In 2019, a total of 1,730 cases were reported by whistleblowers, 393 corruption cases were handled and an aggregation of 516 punishment settled.

INTERNAL AUDIT

The Internal Audit Department (the "IA Dept.") conducts independent and objective confirmation and provides consulting services in respect of the appropriateness, compliance and effectiveness of the Company's business activities, internal controls and risk management by applying systematic and standardized auditing procedures and methods. The IA Dept. also assists the Company in improving the effectiveness of corporate governance, risk management and control process, with an aim to increasing its corporate value, improving its operations, promoting its sustainable and healthy development as well as contributing to the achievement of its strategic objectives.

The Company and its operating subsidiaries have set up internal audit departments, which independently audit the business units of the Company and its operating subsidiaries. The head of the IA Dept. directly reports, four times a year, to the Audit Committee which, in turn, reports to the Board regularly. The Board and Audit Committee give instructions with respect to internal auditing. The IA Dept. regularly reports to the senior management for auditing resources and authorization as well as deployment of rectification. The IA Dept. has unrestricted access to the relevant businesses, assets, records and personnel in the course of performing their duties.

The IA Dept. establishes an internal audit scope and framework and carries out risk investigations on an annual basis. According to the results of the risk investigations, the IA Dept. formulates an internal audit project rolling plan and an annual audit plan and, together with the Audit Committee and the Board, reviews and approves the annual audit plan and resources allocation. The annual audit plan of the internal audit department covers various areas, namely financial, internal controls, information systems and risk assessment audits. For financial audit, the IA Dept. reviews and assesses the truthfulness, accuracy, compliance and efficiency of the Company's financial activities and financial information as well as the management and utilization of the Company's capital and assets. For internal controls audit, the IA Dept. audits and assesses the effectiveness in the design and implementation of the Company's internal control system. According to the requirements under the Corporate Governance Code of Hong Kong Listing Rules, section 404 of the SOX Act and Mainland China laws and regulations, the IA Dept. organizes and performs audit assessment on the internal control over financial and non-financial reporting of the Group covering all material areas of financial, operation and compliance controls, on an annual basis, to provide assurance for the Company's management in its issuance of the internal control assessment report. The information systems audit focuses on reviewing and assessing the information systems, information technology applications, information security and the related internal controls and procedures. The IA Dept. shall report to the senior management and the Board on an interim and annual basis. At the same time, the IA Dept. carries on special projects and investigations in response to requests from the Company's management or the Audit Committee or if otherwise required. In addition, without prejudice to its independence, if requested by the Company's management and as required by business needs, the IA Dept. provides management advice or consultancy services by making use of audit resources and audit information to facilitate the Company's decision-making and operational management.

The IA Dept. makes improvement recommendations in respect of its findings in the course of the audits and requests the management to undertake and to confirm the implementation plans, the methods and the timing. It regularly monitors the status of the implementation of the recommendations to ensure their completion.

In 2019, in order to promote our strategic measures be effectively implemented, we carried out audits focusing on the operation and core tasks, and further strengthened audit and supervision on corporate services, household business, customer rights, key costs and expenses, system management and control and others, to effectively push its cost reduction and efficiency enhancement and prevent risks. We achieved greater results in creating a smart audit cloud hub and a new remote + on-site holographic interactive smart audit to further improve our audit rectification management mechanism and make the advantages of centralized audit and two-level audit synergy more prominent.

We report regularly to the Board and Audit Committee with respect to the building up of our internal audit organization, its human resources and qualifications, staff training, annual audit plan and budget, and the audit results. In 2019, we focused our audit on the main findings of each audit project and their rectification. We provide specific guidance on audit focus, rectification advice, team building and others to ensure the effectiveness of internal audit functions.

In 2020, the IA Dept. will concentrate on new tasks of strategic transformation, further the construction of our holographic interactive smart audit system, expand the application scope of artificial intelligence technology in audit and promote the large-scale application of our remote + on-site audit model, to improve our audit capacity and efficiency, thoroughly identify issues and risks to plug loopholes in management. We will continue improving our audit procedures and systems as well as enhancing the value of audit.

EXTERNAL AUDITORS

In 2019, the Group engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as external auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively. The principal services provided by the external auditors included:

- ✓ review of interim consolidated financial information of the Group;
- ✓ audit of annual consolidated financial statements of the Group and annual financial statements of its subsidiaries; and
- ✓ audit of the effectiveness of the Group's internal control over financial reporting as of 31 December 2019.

Apart from providing the above-mentioned audit services to the Group, the external auditors also provided other non-audit services to the Group, which were permitted under section 404 of the SOX Act and pre-approved by the Audit Committee.

The following table sets forth the types of, and fees for, the principal audit services and non-audit services provided by the external auditors (please refer to note 6 to the consolidated financial statements for details):

	2018 RMB million	2019 RMB million
Audit fees ⁷	108	111
Non-audit services fees ⁸	9	12

⁷ Including the fees rendered for the audit of internal control over financial reporting as required by section 404 of the SOX Act.

⁸ Including the fees for tax compliance and advisory services, risk assessment and compliance advisory services, performance improvement and business process optimization advisory services, and other advisor services.

ESG AND OTHER STAKEHOLDERS

The Board has overall responsibility for our ESG strategy and reporting, for evaluating and determining the ESG related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management provides a confirmation to the Board on the effectiveness of these systems.

Good corporate governance practices require due attention to the impact of our business decisions on our shareholders as well as other relevant stakeholders such as customers, local communities, industry peers and regulatory authorities. Our sustainability report for the year of 2019 (the "Sustainability Report"), which is issued together with this annual report, highlights our development approach, management policies and objectives of corporate social responsibility and our performance in the areas of social and environmental management in 2019. This annual report and the Sustainability Report illustrate our efforts and development in the areas of industry development, community advancement and environmental protection and also explain how we have fulfilled our obligations to our employees, customers, environment, local communities and other stakeholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our Audit Committee under the Board is responsible for conducting annual review of the effectiveness of the Group's risk management and internal control systems to reasonably ensure that the Company is operating legally and the assets are safeguarded and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The said systems are designed to manage rather than eliminate the risk of failure to meet business targets and to make reasonable but not absolute assurances with respect to material misrepresentations or losses. As of 31 December 2019, our Audit Committee has evaluated the effectiveness of the Group's risk management and internal controls covering all important aspects including financial, operational and compliance, to ensure we provide sufficient resources in accounting, internal audit and financial reporting, staff qualification and experience, staff training courses and related budget. Based on such review, we consider the Group's risk management and internal control systems to be effective and adequate.

The management of the Company reports to Audit Committee annually about the building-up and performance of its risk management and internal controls, including interim and annual evaluation reports, and receives guidance and supervision from Audit Committee. In 2019, the Company has received the management affirmation with respect to the effectiveness of the risk management and internal controls.

Our management is responsible for establishing and maintaining internal control over financial reporting. We adopted the control criteria framework set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013). In compliance with the provisions and requirements under section 404 of the SOX Act and the CP issued by HKEX, we refined our routine management mechanism of internal controls, in establishing a stringent internal control system over financial reporting.

We established a hierarchical top-down risk assessment mechanism, relying on the strategic level risk assessment (material risk assessment), the management level risk assessment (major projects risk assessment) and the operational level risk assessment (procedure risk assessment), to assist the management to acknowledge risk information in a timely manner in order to make a reasonable decision. Based on risk assessment, we established a three-tier internal controls of "the top level internal control system, the internal control professional system and the internal control practices guidelines", which brought the control requirements to the whole process of marketing, production and management. Based on our business operation, we focus on high risk and key management areas and perform risk assessment, so as to enforce our internal control requirement into our daily operation. Meanwhile, we assigned specific responsibilities to individuals and input the control requirements in our IT systems to strengthen the internal controls. And through multiple internal and external supervision and inspections, including self-assessment, management evaluation, external audit, etc., we effectively improved the execution efficiency and effectiveness of our internal controls.

Based on the evaluation conducted by the management of the Company, the management believes that, as of 31 December 2019, the Company's internal control over financial reporting was effective which provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for reporting purposes in accordance with generally accepted accounting principles.

All disclosure of material information relating to the Company is made through the unified leadership and management of the Board, with the Company's management performing its relevant duties. The Company has performed an annual review of the effectiveness of the Company's disclosure controls and procedures, and concluded that, as of 31 December 2019, the Company's disclosure controls and procedures were effectively executed at a reasonable assurance level.

INFORMATION DISCLOSURE AND INSIDER DEALINGS

According to the Hong Kong Listing Rules and United States Securities Act, since 2003, the Company has implemented the information disclosure internal control and procedures, and established a Disclosure Committee, the members of which include our Chairman, chief executive officer, chief financial officer and heads of main functional departments. Empowered by the Board, the Disclosure Committee is responsible for organizing and coordinating the routine reporting and disclosure job to prompt timely, fair, truthful and complete disclosure of information, ensure good corporate governance and transparency, properly get back to the investors, analysts and media inquiries, to prevent volatility of our share price caused by false market information.

Under circumstances where any departments or officers are in breach of disclosure procedures and internal controls, resulting in reporting or disclosure errors, or in breach of disclosure related laws and regulations, the Company shall hold the relevant personnel accountable. Members of the Disclosure Committee, heads of our IA Dept. and other relevant departments and each of our subsidiaries shall give confirmations annually and take personal responsibilities with respect to their disclosure duties.

Our IA Dept. conducts annual evaluation with respect to the effectiveness of disclosure internal control and procedures and its performance, and issues audit reports for management and the Audit Committee to evaluate. Depending on such reports, our principal executive and principal financial officers shall make written statements with respect to our annual report on Form 20-F and take personal responsibilities in accordance with the requirements of the US Securities Act. The Disclosure Committee can revise the disclosure internal control and procedure in accordance with its performance and the development of relevant laws with approval of the senior management. The revised internal control procedure and articles shall be circulated to all departments and subsidiaries within the Group.

The Company attaches great importance to the management of insider information. In compliance with the provisions of Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and others, we formulated China Mobile Management Method on Inside Information, setting up rules and black-out periods on directors, management and employees in dealing with the shares of the Company or exercising share options while they are in possession of inside information. Those who may come into possession of inside information in performing their duties are required to sign an undertaking on their duty of confidentiality and prohibition against insider dealing. Unauthorized use of confidential or inside information for profits is strictly prohibited to prevent violation of laws and regulations and internal disciplines. In general, any authorized speaker from the Company only makes clarification and explanation on information already available in the market, avoiding any unpublished inside information. Before any external interview, such speaker shall seek verification from the relevant department about any information to be disclosed.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE CORPORATE GOVERNANCE PRACTICES OF THE COMPANY AND THE CORPORATE GOVERNANCE PRACTICES REQUIRED TO BE FOLLOWED BY U.S. COMPANIES UNDER THE NYSE'S LISTING STANDARDS

As a foreign private issuer (as defined in Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended), 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 NYSE. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on the NYSE.

In accordance with the requirements of section 303A.11 of the NYSE Listed Company Manual, a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards is disclosed as below.

Section 303A.01 of the NYSE Listed Company Manual provides that listed companies must have a majority of independent directors. As a listed company in Hong Kong, the Company is subject to the requirement under the Hong Kong Listing Rules that at least one-third of its board shall be independent non-executive directors as determined under the Hong Kong Listing Rules. The Company has four (4) independent non-executive directors out of a total of seven (7) directors. The Hong Kong Listing Rules set forth standards for establishing independence, which differ from those set forth in the NYSE Listed Company Manual.

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. According to the Code Provision A.2.7 of the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules, the chairman of a listing company in Hong Kong shall hold meetings at least annually with the non-executive directors (including INEDs) without the presence of executive directors. In 2019, our Audit Committee comprising four INEDs met twice with our external auditors without any executive directors present.

Section 303A.04 of the NYSE 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 is responsible for performing the corporate governance duties, including developing and reviewing our policies and practices of corporate governance.

Section 303A.07 of the NYSE 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. The Company is not required, under the applicable Hong Kong law, to make such determination.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. While the Company is not required, under the Hong Kong Listing Rules, to adopt such similar code, as required under the SOX Act, the Company has adopted a code of ethics that is applicable to the Company's principal executive officer(s), principal financial officer(s), principal accounting officers or persons performing similar functions.

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

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

We will closely study the development of corporate governance practices among the world's leading corporations, future evolution of the relevant regulatory environment and the requirements of the investors on an ongoing basis. We will also review and enhance our corporate governance procedures and practices from time to time so as to meet our shareholders' expectations and ensure the long-term sustainable development of the Company.

Human Resources Development

In 2019, our human resources work was centered on China Mobile's ultimate goal of becoming a world-class enterprise by building a dynamic "Powerhouse". Adhering to the guiding principles of mechanism optimization, structural adjustment, capability enhancement and efficiency upgrade, we built a high-quality, professional and young management team, created a workforce primarily made up of new digital talents and core backbone talents, promoted organizational changes and human resource service model transformation, and upgraded our mechanism flexibility, team capability and organizational vitality, in order to provide organizational safeguards and talent support for the Company's reform and innovation, integrated transformation as well as high-quality development.

We profoundly implemented the Company's strategic transformation requirements in conjunction with our business development. We effected personnel changes through technical means and promoted centralized management reforms in traditional business areas. We proactively managed and condensed the size of the workforce and strictly controlled the demand for manpower. We continued to increase the proportion of IT/CT/DC staff among newly recruited employees. We persisted in prioritizing the assignment of talents to new technologies and new business areas, further increased the human resource support and talent attraction intensity for key areas of digital transformation including 5G + AICDE, and continuously optimized our workforce in terms of areas such as academic qualifications and professional expertise. These measures led to a continuous rise in the number of employees in charge of emerging areas as well as the proportion of new digital talents, effectively supporting our digital transformation and business expansion in the vertical industries.

Striving to be market-oriented, the Company continuously optimized its total compensation allocation model, strengthened the link between performance and compensation, and encouraged our subsidiaries to perform better. In light of changes in the competitive landscape, the Company formulated targeted ad hoc incentives and special incentive programs to guide our subsidiaries to boost their revenue and increase their market share, thereby driving the effective attainment of the Group's performance targets. In accordance with the philosophy of hierarchical classification, we enriched our incentive measures, expanded the contents of our incentives and made our incentives more explicit. For core backbone employees, we unleashed the synergies between remuneration and resources, and formulated and implemented multiple incentive initiatives. For professional and technical personnel, we implemented incentives on talents in "special zones", commenced the establishment of the T-H-T ("ten hundred thousand") technical experts system, strengthened the selection of high-end core talents, and stimulated the innovative and entrepreneurial vitality of technical personnel. For frontline employees, we pushed forward the implementation of grid operations and encourage "more pay for more work".

The Company enhanced its team capabilities across the system and coordinated the promotion of a package of "new drivers capability enhancement" measures, thereby integrating online and offline channels and promoting the implementation of a series of categorized training projects in a well-planned, step-by-step and well-paced manner. In terms of "empowering" all our staff with knowledge, we carried out the "5G+ General Knowledge for All Empowerment Action" for all technical personnel to systematically hone and update all employees' essential knowledge and know-how in "5G + AICDE". In terms of "remodeling" core talents' skills in light of "cloud reform" and 5G core technologies, we established a specialty-based and rank-based capacity-building program to reinforce our practical training and promote the cultivation of our own core talents with the help of skill maps, learning path maps and skill certification. In terms of "promoting" frontline personnel's capabilities, we strengthened our comprehensive and systematic training for grid managers and self-operated store managers to improve their responsiveness to market competition and their customer service capabilities. In 2019, the Company provided training to its employees for 1.825 million person-times.

Report of Directors

The directors take pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group's principal activity is providing mobile telecommunications and related services in 31 provinces, autonomous regions and directly-administered municipalities in Mainland China and Hong Kong. The principal activity of the Company is investment holding.

The revenue of the Group during the financial year consisted primarily of revenue generated from the provision of mobile telecommunications services.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's aggregate revenue with its five largest customers did not exceed 30% of the Group's total revenue in 2019.

Purchases from the largest supplier for the year represented 12% of the Group's total purchases. The five largest suppliers accounted for an aggregate of 27% of the Group's purchases in 2019. Purchases for the Group include network equipment purchases, leasing of transmission lines and payments in relation to interconnection arrangements. Purchases from suppliers, other than suppliers of leased lines and network equipment and interconnection arrangements, were not material to the Group's total purchases.

At no time during the year ended 31 December 2019 have the directors, their close associates or any shareholder of the Company (which to the knowledge of the Board owns more than 5% of the number of issued shares of the Company) had any interest in these five largest suppliers.

SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Particulars of the Company's subsidiaries and the Group's investments accounted for using the equity method as at 31 December 2019 are set out in notes 20 and 21, respectively, to the consolidated financial statements, and the list of directors of each of the Company's subsidiaries is available on the Company's website.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2019 and the financial conditions of the Company and the Group as at that date are set out in the consolidated financial statements on pages 78 to 148.

DIVIDENDS

The Board has adopted a dividend policy. In recommending or declaring dividends, the Company shall allow its shareholders to participate in the Company's profits whilst to retain adequate cash reserves for meeting its working capital requirements and long-term sustainable development. The Board has the discretion to propose, declare and distribute dividends to the shareholders of the Company, subject to the Articles of Association of the Company and all applicable laws and regulations and taking into account the following factors of the Company and its subsidiaries:

- the actual financial performance of the Group;
- the Group's business strategies and operations, including future capital requirements and investment needs;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and situation of the Group; and
- any other factors that the Board may consider relevant.

The Board recommends a final dividend payment of HK\$1.723 per share for the year ended 31 December 2019. Together with the interim dividend payment of HK\$1.527 per share, the total dividend payment for the 2019 financial year amounted to HK\$3.250 per share. The Company attaches great importance to shareholder returns, and will maintain a stable dividend per share for the full year of 2020, after giving overall consideration to its profitability and cash flow generation. The Board believes that our industry-leading profitability and ability to generate healthy cash flow will provide sufficient support for the Company's future development and create favourable returns for our shareholders.

DONATIONS

Donations made by the Group during the year amounted to RMB83,766,086 (2018: RMB82,242,686).

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 34 to the consolidated financial statements.

RESERVES

Changes to the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year are set out in note 34 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the financial year were:

Executive Directors:

SHANG Bing (*former Chairman; resigned on 4 March 2019*)

YANG Jie (*Chairman; appointed on 21 March 2019*)

LI Yue (*resigned on 11 October 2019*)

WANG Yuhang (*appointed on 24 October 2019*)

DONG Xin

Independent Non-Executive Directors:

Moses CHENG Mo Chi

Paul CHOW Man Yiu

Stephen YIU Kin Wah

YANG Qiang

Pursuant to Article 99 of the Company's Articles of Association, Mr. WANG Yuhang will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election. Besides, pursuant to Article 95 of the Company's Articles of Association, Mr. Paul CHOW Man Yiu and Mr. Stephen YIU Kin Wah will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The biographies of the directors proposed for re-election at the forthcoming annual general meeting ("Directors for Re-election") are set out on pages 6 and 8 of this annual report. Except as disclosed in such biographies, the Directors for Re-election have not held any other directorships in any listed public companies in the last three years. Further, except as noted in the biographies, none of the Directors for Re-election is connected with any directors, senior management or substantial or controlling shareholders of the Company. None of the Directors for Re-election has any interests in the shares of the Company within the meaning of Part XV of the SFO.

The service contracts of all the Directors for Re-election do not provide for a specified length of service and each of such directors will be subject to retirement by rotation and re-election at annual general meetings of the Company every three years. Each of the Directors for Re-election is entitled to an annual director's fee of HK\$180,000 as proposed by the Board and approved by the shareholders of the Company. Director's fees are payable on a time pro-rata basis for any non-full year's service. Mr. WANG Yuhang has voluntarily waived his annual director's fees. The remuneration of the Directors for Re-election has been determined with reference to the individual's duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the directors of the Company are set out in note 11 to the consolidated financial statements.

None of the Directors for Re-election has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Save as disclosed herein, there are no other matters relating to the re-election of the Directors for Re-election that need to be brought to the attention of the shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Hong Kong Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, any of its holding companies or subsidiaries, or any of its holding companies' subsidiaries has been a party and in which a director of the Company or an entity connected with a director of the Company is or was materially interested, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 159 of the Company's Articles of Association, every director or other officer of the Company shall be indemnified out of the assets of the Company against all liabilities (to the extent permitted by the Hong Kong Companies Ordinance) sustained or incurred by such director or officer in or about the execution of his office or otherwise in relation thereto. In addition, the Company has purchased directors and officers' liabilities insurance on behalf of its directors and officers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

One of the directors of the Company personally held ordinary shares of the Company. Details of the director's holding of ordinary shares of the Company as at 31 December 2019 are as follows:

Long Positions in the Shares and Underlying Shares of the Company

Director	Capacity	Ordinary shares held	Percentage of the total number of issued shares*
Moses CHENG Mo Chi	Beneficial owner	300,000	0.00%

* The calculation is based on the total number of issued ordinary shares of the Company (i.e. 20,475,482,897 ordinary shares) as at 31 December 2019, and rounded off to two decimal places.

Apart from those disclosed herein, as at 31 December 2019, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that is recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2019 was the Company, any of its holding companies or subsidiaries, or any of its holding companies' subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2019 amounting to 5% or more of the ordinary shares in issue:

Long Positions in the Shares and Underlying Shares of the Company

	Ordinary shares held directly	Ordinary shares held indirectly	Percentage of the total number of issued shares
(i) China Mobile Communications Group Co., Ltd. ("CMCC")	–	14,890,116,842	72.72%
(ii) China Mobile (Hong Kong) Group Limited ("CMHK (Group)")	–	14,890,116,842	72.72%
(iii) China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)")	14,890,116,842	–	72.72%

Note: In light of the fact that CMCC and CMHK (Group) directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of CMHK (BVI), in accordance with the SFO, the interests of CMHK (BVI) are deemed to be, and have therefore been included in, the interests of CMCC and CMHK (Group).

Apart from the foregoing, as at 31 December 2019, no other person (other than a director or the chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Details of the continuing connected transactions are set out in note 36 to the consolidated financial statements.

For the financial year ended 31 December 2019, the following continuing connected transactions (the "Continuing Connected Transactions") have not exceeded their respective annual caps:

- (1) rental and property management service charges paid by the Group to CMCC did not exceed RMB2,200 million. The charges payable by the Group in respect of properties owned by CMCC and its subsidiaries are determined with reference to any one of the following benchmarks: (i) the value determined by independent intermediaries; (ii) applicable market rates or charges which are publicly published; or (iii) rates charged by CMCC or its subsidiaries to independent third parties, whilst the charges payable in respect of properties which CMCC or its subsidiaries lease from third parties and sub-let to the Group are determined according to the actual rent payable by CMCC or its subsidiaries to such third parties together with the amount of any tax payable;
- (2) leasing fees paid by the Company to CMCC for the leasing of telecommunications network operation assets by the Company from CMCC did not exceed RMB5,000 million. The leasing fees are determined with reference to the prevailing market rates. In determining the market rates for the leasing fees, the Company has taken into account the charges payable by the Company and CMCC to other industry players as well as the charges receivable by the Company and CMCC from other industry players. The leasing fees payable by the Company to CMCC were not more than the leasing fees charged to other industry players, being independent third parties, for same kinds of network operation assets. The aggregate amount of leasing fees received by the Company from CMCC under the Network Assets Leasing Agreement was below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules; and
- (3) services charges received by the Group from CMCC for the provision of telecommunications services by the Group to CMCC did not exceed RMB2,000 million. The provision of telecommunications services by the Group to CMCC and its subsidiaries in respect of individual projects are subject to public tender process and the pricing for the telecommunications services are primarily based on market rates as determined through the public tender process and the relevant standards laid down in applicable regulations in the PRC. For individual projects where the public tender process is not applicable, the selection criteria and price determination mechanism are similar to that applied in a public tender process.

The transactions referred to in paragraph (1) above were entered into pursuant to the 2017-2019 property leasing and management services agreement dated 11 August 2016 between the Company and CMCC (the "2017-2019 Property Leasing Agreement"). The Company announced the entering into and the terms of the 2017-2019 Property Leasing Agreement on 11 August 2016. The 2017-2019 Property Leasing Agreement has a term of three years commencing on 1 January 2017 and has expired on 31 December 2019. The Company announced the entering into of the 2020-2022 property leasing and management services agreement on 2 January 2020 to renew the 2017-2019 Property Leasing Agreement for a term of three years from 1 January 2020.

The transactions referred to in paragraph (2) above were entered into pursuant to the telecommunications network operation assets leasing agreement between the Company and CMCC dated 18 August 2011 (the "Network Assets Leasing Agreement"). The entering into of the Network Assets Leasing Agreement was announced by the Company on 18 August 2011. The Network Assets Leasing Agreement has been renewed and the latest renewal was announced by the Company on 2 January 2020 for a term of one year from 1 January 2020.

The transactions referred to in paragraph (3) above were entered into pursuant to the telecommunications services agreement between the Company and CMCC dated 9 August 2019 (the “Telecommunications Services Agreement”). The entering into of the Telecommunications Services Agreement was announced by the Company on 9 August 2019. The Telecommunications Services Agreement expired on 31 December 2019 and the Company announced the entering into of the 2020 Telecommunication Facilities Construction Services Agreement with CMCC on 2 January 2020 to renew the Telecommunications Services Agreement for a term of one year from 1 January 2020.

CMCC is the ultimate controlling shareholder of the Company and therefore, a connected person of the Company. Accordingly, all the transactions referred to in paragraphs (1) to (3) above constitute connected transactions for the Company under the Hong Kong Listing Rules.

In the opinion of the independent non-executive directors, the Continuing Connected Transactions were entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the Group’s Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The auditors’ letter has confirmed that nothing has come to their attention that cause them to believe that the Continuing Connected Transactions:

- (A) have not been approved by the Board;
- (B) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;
- (C) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
- (D) have exceeded their respective annual caps for the financial year ended 31 December 2019 set out in the previous announcements of the Company.

A copy of the auditors’ letter in relation to the Continuing Connected Transactions has been provided by the Company to the Stock Exchange.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Hong Kong Listing Rules in force from time to time, and has followed the policies and guidelines as laid down in the guidance letter HKEx-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the year ended 31 December 2019.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINANCIAL SUMMARY

A summary of the results and of the statements of the assets and liabilities of the Group for the last five financial years is set out on pages 149 to 151 of this annual report.

EMOLUMENT POLICY

In order to continue to maintain the sustainable development of the Group's competitiveness, the Group has always emphasized the importance of recruiting, incentivizing, developing and retaining its employees, paid close attention to the external competitiveness, internal fairness of its remuneration structure and the cost-effectiveness of remuneration and emphasized the importance of the correlation between remuneration management and performance management. For the year ended 31 December 2019, employees' remuneration comprised a basic salary and a performance-based bonus.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in note 6 to the consolidated financial statements.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the directors of the Company, the Company has maintained the public float prescribed under the Hong Kong Listing Rules.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively.

LIST OF DIRECTORS OF SUBSIDIARIES

A list of directors of the Group's subsidiaries is set out on the Company's website.

OTHERS

The novel coronavirus (COVID-19) outbreak since early 2020 has posed certain impact on the overall society and economy. The Company's business development has been no exception. The Company will strive to overcome the impact of the novel coronavirus (COVID-19) outbreak on business development and 5G network construction. The epidemic has bolstered the growing trend of businesses and customers going online and using more digital and cloud-based services, among other opportunities arisen. The Company will leverage these opportunities, as well as the 5G network to further develop the information and communications services market.

Please also refer to the sections headed "Chairman's Statement", "Business Review", "Financial Review" and "Human Resources Development" in this annual report which form part of this Report of Directors.

By order of the Board

Yang Jie

Chairman

Hong Kong, 19 March 2020

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of China Mobile Limited (the “**Company**”) will be held in the Conference Room, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 20 May 2020 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 31 December 2019.
2. To declare a final dividend for the year ended 31 December 2019.
3. To re-elect executive director.
4. To re-elect independent non-executive directors.
5. To re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively, and to authorize the Board of Directors of the Company (the “**Board**”) to fix their remuneration.

And to consider and, if thought fit, to pass the following as ordinary resolutions:

ORDINARY RESOLUTIONS

6. “**THAT**:
 - (a) subject to paragraph (b) below, the exercise by the Board during the Relevant Period (as defined below) of all the powers of the Company to buy back shares in the capital of the Company including any form of depositary receipt representing the right to receive such shares (“**Shares**”) be and is hereby generally and unconditionally approved;
 - (b) the aggregate number of Shares which may be bought back on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which securities of the Company may be listed and which is recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange pursuant to the approval in paragraph (a) above shall not exceed or represent more than 10 per cent. of the number of issued shares of the Company at the date of passing this resolution, and the said approval shall be limited accordingly;
 - (c) for the purpose of this resolution “**Relevant Period**” means the period from the passing of this resolution until whichever is the earlier of:
 - (1) the conclusion of the next annual general meeting of the Company; or
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
 - (3) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”
7. “**THAT** a general mandate be and is hereby unconditionally given to the Board to exercise full powers of the Company to allot, issue and deal with additional shares in the Company (including the making and granting of offers, agreements and options which might require shares to be allotted, whether during the continuance of such mandate or thereafter) provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares; (ii) the exercise of options granted under any share option scheme adopted by the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend in accordance with the articles of association of the Company, the aggregate number of the shares allotted shall not exceed the aggregate of:
 - (a) 20 per cent. of the number of issued shares of the Company at the date of passing this resolution, plus

- (b) (if the Board are so authorized by a separate ordinary resolution of the shareholders of the Company) the number of Shares bought back by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the number of issued shares of the Company at the date of passing this resolution).

Such mandate shall expire at the earlier of:

- (1) the conclusion of the next annual general meeting of the Company; or
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
 - (3) the date of any revocation or variation of the mandate given under this resolution by ordinary resolution of the shareholders of the Company at a general meeting."
8. **"THAT** the Board be and are hereby authorized to exercise the powers of the Company referred to in the resolution set out in item 7 in the notice of the annual general meeting in respect of the shares of the Company referred to in paragraph (b) of such resolution."
9. **"THAT** conditional on the Stock Exchange granting approval of the listing of and permission to deal in shares of the Company which fall to be allotted and issued (the **"Option Shares"**) pursuant to the exercise of any share options granted (the **"Share Options"**) under the share option scheme proposed to be adopted by the Company (the **"Share Option Scheme"**), the Share Option Scheme be and is hereby approved to be a share option scheme for the Company and the Board (or a duly authorized committee thereof or such other committee as the Board may authorize) be and is hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or desirable in order to give full effect to the Share Option Scheme, including but not limited to:
- (a) granting Share Options during the term of the Share Option Scheme and cancelling Share Options in accordance with the terms of the Share Option Scheme;
 - (b) allotting and issuing Option Shares pursuant to the exercise of Share Options in accordance with the terms of the Share Option Scheme;
 - (c) modifying and/or amending the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the terms of the Share Option Scheme relating to the modification and/or amendment thereof and is subject to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**);
 - (d) applying at the appropriate time or times to the Stock Exchange for approval of the listing of and permission to deal in all or part of the Option Shares; and
 - (e) acting as the executive body of the Share Option Scheme, and being responsible for its implementation and administration."

By Order of the Board
China Mobile Limited
Wong Wai Lan, Grace
Company Secretary

14 April 2020

Notes:

1. Any member entitled to attend and vote at the annual general meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's registered office at 60/F, The Center, 99 Queen's Road Central, Hong Kong at least 24 hours before the time for holding the annual general meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person if he is subsequently able to be present.
3. The Board has recommended a final dividend of HK\$1.723 per share for the year ended 31 December 2019 and, if such dividend is declared by the members passing resolution number 2, it is expected to be paid on or about Tuesday, 23 June 2020 to those shareholders whose names appear on the Company's register of members on Friday, 29 May 2020. Shareholders should read the announcement issued by the Company on 19 March 2020 regarding the closure of register of members and the withholding and payment of enterprise income tax for non-resident enterprises in respect of the proposed 2019 final dividend.
4. To ascertain shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 14 May 2020 to Wednesday, 20 May 2020 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 13 May 2020.

To ascertain shareholders' entitlement to the proposed final dividend upon passing resolution number 2, the register of members of the Company will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 May 2020.

5. Concerning resolution number 6 above, the Board wish to state that the Board will exercise the powers conferred thereby to buy back shares of the Company in circumstances which they deem appropriate for the benefit of the shareholders. The explanatory statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the buy-back by the Company of its own shares, as required by the Listing Rules, is set out in a separate circular to be despatched to shareholders together with the 2019 Annual Report.
6. Concerning resolution number 9 above, a summary of the principle terms of the Share Option Scheme and other information required by the Listing Rules are set out in a separate circular titled "Proposed Adoption of Share Option Scheme" to be despatched to shareholders together with the 2019 Annual Report.
7. **In light of the epidemic situation of COVID-19 and to safeguard shareholders' health and safety, shareholders may consider appointing the chairman of the annual general meeting as his/her proxy to vote on the resolutions, instead of attending the annual general meeting in person.**

Independent Auditor's Report



羅兵咸永道

Independent Auditor's Report
To the Members of China Mobile Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Mobile Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 148, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Impairment assessment on the interest in associates

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to Note 2 – Significant accounting policies (r) and Note 4 – Operating revenue to the consolidated financial statements.</p> <p>We focused on this area due to the volume of transactions, the complexity of the IT systems, the variety of tariff and package structures and the complexity of multiple performance obligation arrangements, such as voice and data service packages, handset and service bundled packages and customer point rewards. This involved a number of key judgements and estimates on the identification of distinct performance obligations and the determination of the stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations.</p>	<p>In response to this key audit matter, our audit work included controls testing and substantive procedures as follows:</p> <ul style="list-style-type: none"> • tested the IT environment in which billing and other relevant support systems reside; • evaluated and tested the design and operating effectiveness of controls over the capture and measurement of revenue transactions; • evaluated the appropriateness of the accounting policies adopted in revenue recognition for existing and new revenue streams, including multiple performance obligation arrangements, and the appropriateness of related judgements made by management; • examined management's identification of distinct performance obligations and the determination of the stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations, and tested the accuracy of revenue recognized for each performance obligation, by using sampling techniques; • performed substantive testing on the accuracy and occurrence of revenue using sampling techniques by examining customer contracts, customer bills, billing reports, and financial records; and • tested the balances of account receivables and advances from customers in the billing system by using computer assisted audit techniques and examined the reconciliation of such balances between the billing system and financial records. <p>Based on the procedures performed, the revenue recognized was supported by the audit evidence that we obtained and was consistent with the accounting policies of the Group.</p>

Key Audit Matter**How our audit addressed the Key Audit Matter****Impairment assessment on the interest in associates**

Refer to Note 2 – Significant accounting policies (d) and (j), Note 21 – Investments accounted for using the equity method and Note 40 – Accounting estimates and judgements to the consolidated financial statements.

The Group held interests in associates, which were accounted for using the equity method of accounting. In accordance with IAS/HKAS 36 “Impairment of Assets”, where an indication of impairment of these assets exists, the Group will estimate the recoverable amounts of the relevant assets, based on the higher of the value-in-use and the fair value less costs of disposal. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount.

Due to the volatility of the capital market in China, the Group identified that the carrying amount of its investment in Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”) had exceeded its market value as at 31 December 2019. Hence, the Group performed an impairment assessment on this investment by assessing its recoverable amount based on value-in-use as determined by the discounted cash flow model. Based on the assessment result, management determined that there was no impairment loss in this investment made in the associate.

We focused on this area because there were significant judgements and estimates made by the management in determining the recoverable amount.

In response to this key audit matter, we performed the following procedures:

- evaluated management’s process for preparing its impairment assessment and evaluated management’s prior years’ experience and the critical judgements exercised in the assessment;
- assessed the recoverable amount based on its value-in-use as determined by the discounted cash flow model, and examined documentation supporting the key judgements and underlying assumptions adopted in projecting and estimating future cash flows, including the growth rate, the margin rate and the discount rate, with consideration of external evidence and the degree of historical accuracy of management’s assumptions and projections in achieving the forecasts;
- reconciled input data to supporting evidence, such as approved plans and budgets of SPD Bank;
- tested mathematical accuracy and considered the appropriateness of the cash flows included in the discounted cash flow model; and
- checked sensitivity analysis performed around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, in those assumptions adopted, would indicate that the investment was impaired.

Based on the procedures performed, the key assumptions and estimates made by management were supported by the audit evidence we gathered and consistent with our understanding.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKASAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKASAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019 (Expressed in Renminbi ("RMB"))

	Note	2019 Million	2018 (Note 5) Million
Operating revenue	4		
Revenue from telecommunications services		674,392	670,907
Revenue from sales of products and others		71,525	65,912
		745,917	736,819
Operating expenses			
Network operation and support expenses	5	175,810	200,007
Depreciation and amortization		182,818	154,154
Employee benefit and related expenses	6	102,518	93,939
Selling expenses		52,813	60,326
Cost of products sold		72,565	66,231
Other operating expenses	7	46,244	40,775
		632,768	615,432
Profit from operations		113,149	121,387
Other gains	8	4,029	2,906
Interest and other income	9	15,560	15,885
Finance costs	10	(3,246)	(144)
Income from investments accounted for using the equity method		12,641	13,861
Profit before taxation		142,133	153,895
Taxation	13(a)	(35,342)	(35,944)
PROFIT FOR THE YEAR		106,791	117,951
Other comprehensive income for the year, net of tax:			
Items that will not be subsequently reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		(75)	(168)
Share of other comprehensive income of investments accounted for using the equity method		14	60
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		683	1,160
Share of other comprehensive income of investments accounted for using the equity method		428	1,188
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		107,841	120,191

Consolidated Statement of Comprehensive Income (Continued)

for the year ended 31 December 2019 (Expressed in RMB)

	Note	2019 Million	2018 Million
Profit attributable to:			
Equity shareholders of the Company		106,641	117,781
Non-controlling interests		150	170
PROFIT FOR THE YEAR		106,791	117,951
Total comprehensive income attributable to:			
Equity shareholders of the Company		107,691	120,021
Non-controlling interests		150	170
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		107,841	120,191
Earnings per share – Basic	14(a)	RMB5.21	RMB5.75
Earnings per share – Diluted	14(b)	RMB5.18	RMB5.75

The notes on pages 85 to 148 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 December 2019 (Expressed in RMB)

	Note	As at 31 December 2019 Million	As at 31 December 2018 Million
Assets			
Non-current assets			
Property, plant and equipment	15	674,832	666,496
Right-of-use assets	16(a)	74,308	–
Construction in progress	17	67,978	72,180
Land use rights and others	18	27,455	27,778
Goodwill	19	35,343	35,343
Other intangible assets		3,475	2,620
Investments accounted for using the equity method	21	155,228	145,325
Deferred tax assets	22	32,628	29,654
Financial assets at fair value through other comprehensive income	23	513	587
Restricted bank deposits	24	10,063	12,369
Other non-current assets	4(a)	17,551	8,442
		1,099,374	1,000,794
Current assets			
Inventories	25	7,338	8,857
Contract assets	4(a)	5,003	5,022
Accounts receivable	26	32,694	26,540
Other receivables	27	34,133	39,543
Prepayments and other current assets	27	26,708	27,002
Amount due from ultimate holding company	28	1,350	570
Prepaid income tax		1,278	1,959
Financial assets at fair value through profit or loss	23	114,259	76,425
Restricted bank deposits	24	371	9
Bank deposits	29	130,799	291,887
Cash and cash equivalents	30	175,933	57,302
		529,866	535,116
Total assets		1,629,240	1,535,910
Equity and liabilities			
Liabilities			
Current liabilities			
Accounts payable	31	164,818	190,847
Bills payable		2,896	3,221
Deferred revenue	32	57,825	63,185
Accrued expenses and other payables	33	182,368	195,572
Amount due to ultimate holding company	28	21,677	11,020
Income tax payable		9,815	10,553
Lease liabilities	3	22,668	–
		462,067	474,398

Consolidated Balance Sheet (Continued)

as at 31 December 2019 (Expressed in RMB)

	Note	As at 31 December 2019 Million	As at 31 December 2018 Million
Non-current liabilities			
Lease liabilities – non-current	3	51,635	–
Deferred revenue – non-current	32	6,861	4,881
Deferred tax liabilities	22	1,388	822
		59,884	5,703
Total liabilities			
		521,951	480,101
Equity			
Share capital	34(a)	402,130	402,130
Reserves		701,643	650,275
Total equity attributable to equity shareholders of the Company			
		1,103,773	1,052,405
Non-controlling interests			
		3,516	3,404
Total equity			
		1,107,289	1,055,809
Total equity and liabilities			
		1,629,240	1,535,910

The consolidated financial statements on pages 78 to 148 were approved by the Board of Directors on 19 March 2020 and were signed on its behalf.

Yang Jie

Name of Director

Dong Xin

Name of Director

The notes on pages 85 to 148 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019 (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC Statutory and other reserves Million	Retained profits Million	Total Million	Non- controlling interests Million	Total equity Million
As at 1 January 2018	402,130	(265,803)	72	(126)	328,344	527,550	992,167	3,245	995,412
Changes in equity for 2018:									
Profit for the year	-	-	-	-	-	117,781	117,781	170	117,951
Changes in the fair value of financial assets at fair value through other comprehensive income	-	(168)	-	-	-	-	(168)	-	(168)
Currency translation differences	-	-	-	1,160	-	-	1,160	-	1,160
Share of other comprehensive income of investments accounted for using the equity method	-	1,248	-	-	-	-	1,248	-	1,248
Total comprehensive income for the year	-	1,080	-	1,160	-	117,781	120,021	170	120,191
Dividends approved in respect of previous year (note 34(b)(iii))	-	-	-	-	-	(27,060)	(27,060)	(10)	(27,070)
Dividends declared in respect of current year (note 34(b)(i))	-	-	-	-	-	(32,870)	(32,870)	-	(32,870)
Transfer to PRC statutory reserves (note 34(d)(iii))	-	-	-	-	19,148	(19,148)	-	-	-
Others	-	-	-	-	147	-	147	(1)	146
As at 31 December 2018	402,130	(264,723)	72	1,034	347,639	566,253	1,052,405	3,404	1,055,809
As at 31 December 2018 (As previously reported)	402,130	(264,723)	72	1,034	347,639	566,253	1,052,405	3,404	1,055,809
Changes in accounting policies (note 3)	-	-	-	-	(336)	(2,770)	(3,106)	-	(3,106)
As at 1 January 2019 (As restated)	402,130	(264,723)	72	1,034	347,303	563,483	1,049,299	3,404	1,052,703
Changes in equity for 2019:									
Profit for the year	-	-	-	-	-	106,641	106,641	150	106,791
Changes in the fair value of financial assets at fair value through other comprehensive income	-	(75)	-	-	-	-	(75)	-	(75)
Currency translation differences	-	-	-	683	-	-	683	-	683
Share of other comprehensive income of investments accounted for using the equity method	-	442	-	-	-	-	442	-	442
Total comprehensive income for the year	-	367	-	683	-	106,641	107,691	150	107,841
Dividends approved in respect of previous year (note 34(b)(iii))	-	-	-	-	-	(25,059)	(25,059)	(38)	(25,097)
Dividends declared in respect of current year (note 34(b)(i))	-	-	-	-	-	(28,206)	(28,206)	-	(28,206)
Transfer to PRC statutory reserves (note 34(d)(iii))	-	-	-	-	1,929	(1,929)	-	-	-
Others	-	-	-	-	48	-	48	-	48
As at 31 December 2019	402,130	(264,356)	72	1,717	349,280	614,930	1,103,773	3,516	1,107,289

The notes on pages 85 to 148 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019 (Expressed in RMB)

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

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2019 (Expressed in RMB)

	Note	2019 Million	2018 Million
Investing activities			
Payment for property, plant and equipment		(202,365)	(192,395)
Payment for land use rights		(355)	(580)
Payment for other intangible assets		(2,245)	(2,189)
Proceeds from disposal of property, plant and equipment		423	8
Decrease/(increase) in bank deposits		157,709	(11,578)
Increase in restricted bank deposits (excluding deposited customer reserves)	24	(4,503)	(348)
Interest received		11,550	11,810
Payment for investments accounted for using the equity method		(161)	(375)
Dividends received from investments accounted for using the equity method	21	2,299	691
Purchase of financial assets at fair value through profit or loss	23	(161,343)	(116,810)
Maturity of financial assets at fair value through profit or loss	23	129,505	110,087
Purchase of financial assets at fair value through other comprehensive income	23	–	(711)
Short-term loans granted by China Mobile Finance and payment for other investments		(11,464)	(16,210)
Maturity of short-term loans granted by China Mobile Finance and other investments		16,810	6,367
Others		(66)	2
Net cash used in investing activities		(64,206)	(212,231)
Financing activities			
Interest paid in relation to short-term deposits placed by ultimate holding company		(187)	(142)
Dividends paid to the Company's equity shareholders	34(b)	(53,265)	(59,930)
Dividends paid to non-controlling shareholders of subsidiaries		(38)	(10)
Short-term deposits placed by ultimate holding company	36(a)	21,637	10,873
Repayment of short-term deposits placed by ultimate holding company	36(a)	(10,873)	(8,611)
Repayment of principal and interest of lease liabilities		(22,175)	–
Net cash used in financing activities		(64,901)	(57,820)
Net increase/(decrease) in cash and cash equivalents		118,484	(63,900)
Cash and cash equivalents at beginning of year		57,302	120,636
Effect of changes in foreign exchange rate		147	566
Cash and cash equivalents at end of year		175,933	57,302

Significant non-cash transactions

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

Changes in liabilities arising from financing activities

There are no changes in liabilities arising from financing activities other than the placement and repayment of short-term deposits with ultimate holding company (note 28), the newly generated lease liabilities arising from the adoption of IFRS/HKFRS 16 in current year and repayment of the related principal and interest associated with lease liabilities.

The notes on pages 85 to 148 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

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 3 September 1997. The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are the provision of telecommunications and related services in Mainland China and in Hong Kong (for the purpose of preparing the consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan). The Company’s immediate holding company is China Mobile Hong Kong (BVI) Limited (incorporated in British Virgin Islands), and the Company’s ultimate holding company is China Mobile Communications Group Co., Ltd. (“CMCC”, incorporated in Mainland China). The address of the Company’s registered office is 60th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “HKEX”) since 23 October 1997 and the American Depositary Shares of the Company have been listed on the New York Stock Exchange since 22 October 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. Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), are consistent with IFRSs that relates to the Group’s financial statements. These financial statements also comply with HKFRSs, the requirements of Hong Kong Companies Ordinance Cap. 622, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”) which are carried at fair value.

All of the new or amended standards or interpretations that effective for the year beginning on 1 January 2019 have been applied for the first time by the Group. The impact of adopting these new or amended standards or interpretations is disclosed in note 3.

The preparation of financial statements in conformity with IFRSs and HKFRSs 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

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 and HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

(c) Subsidiaries and non-controlling interests

(i) Subsidiaries

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

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

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

Non-controlling interests are presented in the consolidated balance sheet 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 statement 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) **Separate financial statements**

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(iii) **Business combination other than under common control**

The Group applies the acquisition method to account for combination of entities and businesses which are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

(iv) **Business combination under common control**

Under IFRSs and HKFRSs, the Group use merger accounting to account for the combination of entities and businesses under common control in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The assets and liabilities of the combining entities or businesses are combined using the carrying book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the consideration at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which they were incurred.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments accounted for using the equity method

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group has applied IFRS/HKFRS 11 to all joint arrangements. Under IFRS/HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

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

Under the equity method, the investment is initially recorded at cost. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). The Group's share of the post-acquisition post-tax results of the investee for the year is recognized as income from investments accounted for using the equity method in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognized as its share of other comprehensive income in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or joint ventures.

Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss. Accounting policies of associates or joint ventures would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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 at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

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

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

(f) Other intangible assets

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction as well as interest expense and exchange differences capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Leases****(i) As lessee**

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

Recognition and measurement of lease liabilities

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

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

Recognition and measurement of right-of-use asset

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

Other lease expenses

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

Classification of lease related cash flow

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

(ii) As lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the lease asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

Accounting policies applied until 31 December 2018

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided for at rates, which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the useful life of the asset as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) Impairment of non-financial assets****(i) Impairment of investments accounted for using the equity method**

Investments accounted for using the equity method are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the entity;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the entity will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the entity; and
- decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

(ii) Impairment of other assets

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use (“VIU”). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or VIU, if determinable.

– Reversals of impairment losses

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(l) Investments and other financial assets****Recognition and derecognition**

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

Classification

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

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

Measurement

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

- (i) The Group's financial assets measured at amortized cost represent those financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented in other operating expenses.
- (ii) For equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for these equity investments at FVOCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.
- (iii) Assets that do not meet the criteria for amortized cost or are not elected/classified as FVOCI are classified as FVPL. A gain or loss on a financial instrument that is subsequently measured at FVPL is recognized in profit or loss and presented net within interest and other income in the period in which it arises.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (Continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The Group has adopted the simplified expected credit loss model for its accounts receivable and contract assets, which requires expected lifetime losses to be recognized from their initial recognition.

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

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

(m) Accounts receivable and other receivables

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with original maturity within three months, cash at banks and in hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Accounts payable and other payables

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

(p) Deferred revenue

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

(q) Interest-bearing borrowings

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition from contracts with customers

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(s) Interest income

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

(t) Income tax

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions and contingent liabilities

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

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

(v) Employee benefits

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(v) Employee benefits (Continued)****(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.

During the vesting period, the number of share options that is expected to vest is reviewed at each balance sheet date. Any resulting adjustment to the cumulative fair value recognized in prior years is credited/charged to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained profits). In the Company's balance sheet, share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investments in subsidiaries, which is eliminated on consolidation.

(iii) Termination benefits

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

(w) Borrowing costs

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Translation of foreign currencies

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

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

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

The results of overseas entities are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Balance sheet items are translated into RMB at the exchange rates ruling at the balance sheet date. The resulting currency translation differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve. On disposal of an overseas entity, the cumulative amount of the currency translation differences relating to that particular foreign operation is reclassified from equity to profit or loss.

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

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (Continued)

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

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

(z) Segment reporting

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

(aa) Dividend distribution

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

IFRS/HKFRS 16 "Leases"
IFRIC/HK(IFRIC) – Int 23 "Uncertainty over income tax treatments"
Amendments to IAS/HKAS 28 "Investments in associates and joint ventures"
Annual Improvements to IFRS/HKFRS Standards 2015-2017 Cycle
Amendments to IAS/HKAS 19 "Employee benefits"
Amendments to IFRS/HKFRS 9 "Financial instruments"

New or amendments to IFRS/HKFRS effective for the financial year beginning on 1 January 2019 do not have a material impact on the Group other than IFRS/HKFRS 16, details of which are set out in note 3(a).

In addition, the IASB and HKICPA also published a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning on or after 1 January 2020 and have not been early adopted by the Group (see note 41). Management is assessing the impact of such new standards and amendments to standards and will adopt the relevant standards and amendments to standards in the subsequent periods as required.

(a) IFRS/HKFRS 16 "Leases"

(i) Initial application

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS/HKFRS 16 "Leases" (Continued)

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

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

Note:

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS/HKFRS 16 "Leases" (Continued)

(iii) Summary of effects arising from initial application of IFRS/HKFRS 16

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

Consolidated Balance Sheet (Extracted)

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

4 OPERATING REVENUE

	2019	2018
	Million	Million
Revenue from telecommunications services		
Voice services	88,624	108,083
Data services		
– SMS & MMS	28,648	28,800
– Wireless data traffic	384,999	383,297
– Wireline broadband	68,835	54,285
– Applications and information services	82,543	75,701
Others	20,743	20,741
	674,392	670,907
Revenue from sales of products and others	71,525	65,912
	745,917	736,819

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

(a) Assets related to contracts with customers

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

4 OPERATING REVENUE (CONTINUED)

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

Note:

(i) Changes in contract assets:

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

(ii) Changes in contract costs

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

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

(b) Details of contract liabilities

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

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

(c) Unsatisfied long-term contracts

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

5 NETWORK OPERATION AND SUPPORT EXPENSES

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

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

Details of network operation and support expenses are as follows:

	Note	2019 Million	2018 Million
Maintenance		53,216	54,569
Power and utilities expenses		32,837	32,032
Operation support and related expenses		39,764	41,087
Charges for use of tower assets	(i)	25,518	38,981
Charges for use of lines and network assets	(ii)	7,715	8,489
Charges for use of other assets	(ii)	7,492	16,102
Others		9,268	8,747
		175,810	200,007

Note:

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

6 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2019 Million	2018 Million
Salaries, wages, labor service expenses and other benefits	86,610	81,843
Retirement costs: contributions to defined contribution retirement plans	15,908	12,096
	102,518	93,939

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

7 OTHER OPERATING EXPENSES

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

Note:

- (i) Audit services include reporting on the Group's internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America at a service fee of RMB22 million (2018: RMB22 million).
- (ii) Others consist of administrative expenses, taxes and surcharges, and other miscellaneous expenses.

8 OTHER GAINS

	2019 Million	2018 Million
Compensation income	915	1,184
Others	3,114	1,722
	4,029	2,906

9 INTEREST AND OTHER INCOME

	2019 Million	2018 Million
Interest income	10,065	11,443
Fair value gains recognized, net	5,495	4,442
	15,560	15,885

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

10 FINANCE COSTS

	2019	2018
	Million	Million
Interest for lease liabilities	3,052	–
Interest on short-term deposits received (note 36(a))	187	142
Others	7	2
	3,246	144

11 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Directors' remuneration during 2019 is as follows:

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

Directors' remuneration during 2018 is as follows:

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

	2019 '000	2018 '000
Salaries, allowances and benefits in kind	6,592	6,579
Performance related bonuses	4,314	4,208
Retirement scheme contributions	187	156
	11,093	10,943

The emoluments fell within the following bands:

Emolument bands	2019 Number of individuals	2018 Number of individuals
2,000,001–2,500,000	5	5

13 TAXATION

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

	Note	2019 Million	2018 Million
Current tax			
Provision for the PRC enterprise income tax on the estimated taxable profits for the year	(i)	36,989	34,395
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(ii)	269	275
		37,258	34,670
Deferred tax			
Origination and reversal of temporary differences, net (note 22)		(1,916)	1,274
		35,342	35,944

Note:

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

13 TAXATION (CONTINUED)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

14 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB106,641 million (2018: RMB117,781 million) and the weighted average number of 20,475,482,897 shares (2018: 20,475,482,897 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company which is used in calculating diluted earnings per share, calculated as follows, of RMB106,050 million (2018: RMB117,781 million) and the weighted average number of 20,475,482,897 shares (2018: 20,475,482,897 shares) in issue during the year.

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings Million	Telecommunications transceivers, switching centers, transmission and other network equipment Million	Office equipment, furniture, fixtures and others Million	Total Million
Cost:				
As at 1 January 2018	147,776	1,421,968	23,787	1,593,531
Transferred from construction in progress	7,624	160,654	1,616	169,894
Other additions	257	465	1,504	2,226
Disposals	(18)	(1,304)	(118)	(1,440)
Written-off	(323)	(33,168)	(1,490)	(34,981)
Exchange differences	135	236	2	373
As at 31 December 2018	155,451	1,548,851	25,301	1,729,603
As at 1 January 2019	155,451	1,548,851	25,301	1,729,603
Transferred from construction in progress	6,251	159,098	2,165	167,514
Other additions	539	1,235	911	2,685
Disposals	-	(28)	(19)	(47)
Written-off	(822)	(100,962)	(2,450)	(104,234)
Exchange differences	71	161	9	241
As at 31 December 2019	161,490	1,608,355	25,917	1,795,762
Accumulated depreciation and impairment:				
As at 1 January 2018	46,820	882,529	16,153	945,502
Charge for the year	5,625	145,504	1,480	152,609
Written back on disposals	(15)	(1,297)	(116)	(1,428)
Written-off	(290)	(32,064)	(1,372)	(33,726)
Exchange differences	18	131	1	150
As at 31 December 2018	52,158	994,803	16,146	1,063,107
As at 1 January 2019	52,158	994,803	16,146	1,063,107
Charge for the year	5,983	150,243	1,817	158,043
Written back on disposals	-	(13)	(14)	(27)
Written-off	(33)	(99,027)	(1,192)	(100,252)
Exchange differences	9	49	1	59
As at 31 December 2019	58,117	1,046,055	16,758	1,120,930
Net book value:				
As at 31 December 2019	103,373	562,300	9,159	674,832
As at 31 December 2018	103,293	554,048	9,155	666,496

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

16 LEASES

This note provides lease information about the Group as a lessee.

(a) Right-of-use assets

	Telecommunications Towers and related assets Million	Buildings and premises Million	Others Million	Total Million
Cost:				
As at 1 January 2019	75,169	35,790	3,545	114,504
Additions	5,696	9,135	1,139	15,970
Early termination and modification of lease contracts	(1,890)	(1,620)	(567)	(4,077)
Exchange gains and losses	-	22	-	22
As at 31 December 2019	78,975	43,327	4,117	126,419
Accumulated amortization and impairment:				
As at 1 January 2019	15,299	12,409	2,507	30,215
Charge for the year	14,738	7,675	338	22,751
Early termination of lease contracts	(276)	(435)	(151)	(862)
Exchange gains and losses	-	7	-	7
As at 31 December 2019	29,761	19,656	2,694	52,111
Net book value:				
As at 31 December 2019	49,214	23,671	1,423	74,308
As at 1 January 2019	59,870	23,381	1,038	84,289

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

17 CONSTRUCTION IN PROGRESS

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

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

18 LAND USE RIGHTS AND OTHERS

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

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

19 GOODWILL

	2019	2018
	Million	Million
Cost and carrying amount:		
As at 1 January and 31 December	35,343	35,343

Impairment tests for goodwill

As at 31 December 2019, the goodwill of RMB35,300 million is attributable to the cash-generating units in relation to the operation in Mainland China which management currently monitors. The recoverable amount of the cash-generating unit is determined based on the VIU calculations by using the discounted cash flow method. This method considers the pre-tax cash flows of the subsidiaries (cash-generating unit) for the five years ending 31 December 2024 and the projected perpetual cash flows after the fifth year. For the five years ending 31 December 2024, the average growth rate is assumed 1.5% while for the years beyond 31 December 2024, the assumed continual growth rate to perpetuity is 1%. The present value of cash flows is calculated by discounting the cash flow using pre-tax interest rates of approximately 11%. The management performed impairment test for the goodwill in relation to the operation in Mainland China and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 SUBSIDIARIES

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

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Communication (BVI) Limited	British Virgin Islands ("BVI")	HK\$1	100%	–	Investment holding company
China Mobile Communication Co., Ltd. ("CMC")**	Mainland China	RMB1,641,848,326	–	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. ("Guangdong Mobile")	Mainland China	RMB5,594,840,700	–	100%	Telecommunications operator
China Mobile Group Zhejiang Co., Ltd.	Mainland China	RMB2,117,790,000	–	100%	Telecommunications operator
China Mobile Group Jiangsu Co., Ltd.	Mainland China	RMB2,800,000,000	–	100%	Telecommunications operator
China Mobile Group Fujian Co., Ltd.	Mainland China	RMB5,247,480,000	–	100%	Telecommunications operator
China Mobile Group Henan Co., Ltd.	Mainland China	RMB4,367,733,641	–	100%	Telecommunications operator
China Mobile Group Hainan Co., Ltd.	Mainland China	RMB643,000,000	–	100%	Telecommunications operator
China Mobile Group Beijing Co., Ltd.	Mainland China	RMB6,124,696,053	–	100%	Telecommunications operator
China Mobile Group Shanghai Co., Ltd.	Mainland China	RMB6,038,667,706	–	100%	Telecommunications operator
China Mobile Group Tianjin Co., Ltd.	Mainland China	RMB2,151,035,483	–	100%	Telecommunications operator
China Mobile Group Hebei Co., Ltd.	Mainland China	RMB4,314,668,531	–	100%	Telecommunications operator
China Mobile Group Liaoning Co., Ltd.	Mainland China	RMB5,140,126,680	–	100%	Telecommunications operator
China Mobile Group Shandong Co., Ltd.	Mainland China	RMB6,341,851,146	–	100%	Telecommunications operator

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment/ and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Group Guangxi Co., Ltd.	Mainland China	RMB2,340,750,100	–	100%	Telecommunications operator
China Mobile Group Anhui Co., Ltd.	Mainland China	RMB4,099,495,494	–	100%	Telecommunications operator
China Mobile Group Jiangxi Co., Ltd.	Mainland China	RMB2,932,824,234	–	100%	Telecommunications operator
China Mobile Group Chongqing Co., Ltd.	Mainland China	RMB3,029,645,401	–	100%	Telecommunications operator
China Mobile Group Sichuan Co., Ltd.	Mainland China	RMB7,483,625,572	–	100%	Telecommunications operator
China Mobile Group Hubei Co., Ltd.	Mainland China	RMB3,961,279,556	–	100%	Telecommunications operator
China Mobile Group Hunan Co., Ltd.	Mainland China	RMB4,015,668,593	–	100%	Telecommunications operator
China Mobile Group Shaanxi Co., Ltd.	Mainland China	RMB3,171,267,431	–	100%	Telecommunications operator
China Mobile Group Shanxi Co., Ltd.	Mainland China	RMB2,773,448,313	–	100%	Telecommunications operator
China Mobile Group Neimenggu Co., Ltd.	Mainland China	RMB2,862,621,870	–	100%	Telecommunications operator
China Mobile Group Jilin Co., Ltd.	Mainland China	RMB3,277,579,314	–	100%	Telecommunications operator
China Mobile Group Heilongjiang Co., Ltd.	Mainland China	RMB4,500,508,035	–	100%	Telecommunications operator
China Mobile Group Guizhou Co., Ltd.	Mainland China	RMB2,541,981,749	–	100%	Telecommunications operator
China Mobile Group Yunnan Co., Ltd.	Mainland China	RMB4,137,130,733	–	100%	Telecommunications operator
China Mobile Group Xizang Co., Ltd.	Mainland China	RMB848,643,686	–	100%	Telecommunications operator
China Mobile Group Gansu Co., Ltd.	Mainland China	RMB1,702,599,589	–	100%	Telecommunications operator

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile Group Qinghai Co., Ltd.	Mainland China	RMB902,564,911	–	100%	Telecommunications operator
China Mobile Group Ningxia Co., Ltd.	Mainland China	RMB740,447,232	–	100%	Telecommunications operator
China Mobile Group Xinjiang Co., Ltd.	Mainland China	RMB2,581,599,639	–	100%	Telecommunications operator
China Mobile Group Design Institute Co., Ltd.	Mainland China	RMB160,232,547	–	100%	Provision of telecommunications network planning design and consulting services
China Mobile Holding Company Limited**	Mainland China	US\$30,000,000	100%	–	Investment holding company
China Mobile Information Technology Co., Ltd.**	Mainland China	US\$7,633,000	–	100%	Provision of roaming clearance, IT system operation, technology support services
Aspire Holdings Limited	Cayman Islands	HK\$93,964,583	66.41%	–	Investment holding company
Aspire (BVI) Limited [#]	BVI	US\$1,000	–	100%	Investment holding company
Aspire Technologies (Shenzhen) Limited***	Mainland China	US\$10,000,000	–	100%	Development, services and maintenance of industry value-added platform
Aspire Information Network (Shenzhen) Limited***	Mainland China	US\$5,000,000	–	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited***	Mainland China	US\$5,000,000	–	100%	Operation support and capability service of digital content
Fujian FUNO Mobile Communication Technology Company Limited***	Mainland China	RMB60,000,000	–	51%	Network construction and maintenance, network planning and optimizing, training and communication services
Advanced Roaming & Clearing House Limited	BVI	US\$2	100%	–	Provision of roaming clearance services

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment/ and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
Fit Best Limited	BVI	US\$1	100%	–	Investment holding company
China Mobile Hong Kong Company Limited	Hong Kong	HK\$951,046,930	–	100%	Provision of telecommunications and related services
China Mobile International Holdings Limited	Hong Kong	HK\$19,319,810,000	100%	–	Investment holding company
China Mobile International Limited	Hong Kong	HK\$8,100,000,000	–	100%	Provision of voice and roaming clearance services, Internet services and value-added services
China Mobile Group Device Co., Ltd.	Mainland China	RMB6,200,000,000	–	99.97%	Provision of electronic communication products design services and sale of related products
China Mobile Group Finance Co., Ltd. ("China Mobile Finance")	Mainland China	RMB11,627,783,669	–	92%	Provision of non-banking financial services
China Mobile IoT Company Limited	Mainland China	RMB3,000,000,000	–	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	Mainland China	RMB980,000,000	–	100%	Provision of Mobile Cloud research and development and operation support services
China Mobile E-Commerce Co., Ltd. ("China Mobile E-Commerce")	Mainland China	RMB500,000,000	–	100%	Provision of e-payment, e-commerce and Internet finance services
China Mobile (Hangzhou) Information Technology Co., Ltd.	Mainland China	RMB1,250,000,000	–	100%	Provision of family information products, capability research and development services
China Mobile Online Services Co., Ltd.	Mainland China	RMB2,000,000,000	–	100%	Provision of call center and internet information services
MIGU Company Limited	Mainland China	RMB7,000,000,000	–	100%	Provision of mobile Internet digital content services

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

20 SUBSIDIARIES (CONTINUED)

Name of company*	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
China Mobile TieTong Company Limited	Mainland China	RMB31,880,000,000	–	100%	Provision of engineering, maintenance, sales and telecommunications services
China Mobile Internet Company Limited	Mainland China	RMB2,900,000,000	–	100%	Provision of Internet related services
China Mobile Investment Holdings Company Limited	Mainland China	RMB975,920,000	–	100%	Investment holding company
China Mobile Quantong System Integration Co., Ltd.	Mainland China	RMB550,000,000	–	100%	Provision of computer system integration, construction, maintenance and related technology development services
China Mobile (Chengdu) ICT Co., Ltd.	Mainland China	RMB300,000,000	–	100%	Provision of Information technology products and technology research and development services
China Mobile (Shanghai) ICT Co., Ltd.	Mainland China	RMB200,000,000	–	100%	Provision of Information technology products and technology research and development services
China Mobile Financial Technology Co., Ltd.	Mainland China	RMB500,000,000	–	100%	Provision of e-payment, e-commerce and Internet finance services
China Mobile Xiong'an Information & Telecommunication Technology Company Limited	Mainland China	RMB150,000,000	–	100%	Provision of Information technology products and technology research and development services
Zhongyidong Information Technology Co., Ltd.	Mainland China	RMB1,000,000,000	–	100%	Provision of IT solutions including digital technology

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

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

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

Effective interest held by the Group is 66.41%.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

Note:

- (a) Up to the approval date of these financial statements, SPD Bank and IFLYTEK have not yet disclosed their annual financial statements for the year ended 31 December 2019. The numbers presented in the table below are extracted from financial information which was released and publicly disclosed by SPD Bank and IFLYTEK, with some information such as total liabilities and total equity not being disclosed.
- (b) On 8 August 2018, China Tower successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited and made an offering of 46,663,856,000 new ordinary shares (including both Hong Kong and International offerings with over-allotment option exercised) at a price of HK\$1.26 per share. The Group's shareholding in China Tower has been diluted from 38% to 28% and the gain as a result of equity interest dilution following the initial public offering of China Tower amounted to approximately RMB2,271 million was recorded in income from investments accounted for using the equity method.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Summary financial information on principal associates:

	SPD Bank					
	As at 31 December					
	2019	2018				
	Million	Million				
Total assets	7,004,796	6,289,606				
Total liabilities	–	5,811,226				
Total equity	–	478,380				
Total equity attributable to ordinary equity shareholders	493,809	441,642				
Percentage of ownership of the Group	18%	18%				
Total equity attributable to the Group	89,774	80,291				
The impact of fair value adjustments at the time of acquisition, goodwill and others	6,084	6,660				
Interest in associates	95,858	86,951				
	China Tower		IFLYTEK		True Corporation	
	As at 31 December		As at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018
	Million	Million	Million	Million	Million	Million
Total current assets	40,995	31,799	–	7,762	31,298	26,309
Total non-current assets	297,072	283,565	–	7,540	90,680	78,251
Total current liabilities	128,364	114,759	–	5,813	35,186	43,097
Total non-current liabilities	27,142	20,103	–	1,278	57,457	33,215
Total equity	182,561	180,502	–	8,211	29,335	28,248
Total equity attributable to equity shareholders	182,559	180,502	11,636	7,971	29,184	28,123
Percentage of ownership of the Group	28%	28%	13%	13%	18%	18%
Total equity attributable to the Group	51,281	50,414	1,465	1,075	5,253	5,062
The impact of fair value adjustments at the time of acquisition, goodwill and others	–	–	810	812	1,834	2,851
Elimination of unrealized profits resulting from the transfer of Tower Assets and its realization	(2,543)	(3,115)	–	–	–	–
Interest in associates	48,738	47,299	2,275	1,887	7,087	7,913

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

	SPD Bank		China Tower	
	2019 Million	2018 Million	2019 Million	2018 Million
Revenue	190,688	170,865	76,428	71,819
Profit before taxation	69,817	65,284	6,837	3,475
Profit attributable to ordinary equity shareholders	57,186	54,189	5,222	2,650
Other comprehensive income attributable to ordinary equity shareholders	–	6,979	–	–
Total comprehensive income attributable to ordinary equity shareholders	–	61,168	5,222	2,650
Dividends received from associates	1,867	533	111	–

	IFLYTEK		True Corporation	
	2019 Million	2018 Million	2019 Million	2018 Million
Revenue	10,089	7,917	31,423	33,214
Profit before taxation	978	659	1,727	2,662
Profit attributable to ordinary equity shareholders	788	542	1,256	1,444
Other comprehensive income/(loss) attributable to ordinary equity shareholders	–	1	(186)	(46)
Total comprehensive income attributable to ordinary equity shareholders	–	543	1,070	1,398
Dividends received from associates	27	18	117	39

(ii) The fair values of the interests in listed associates are based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs and disclosed as follows:

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount Million	Fair value Million	Carrying amount Million	Fair value Million
SPD Bank	95,858	65,993	86,951	52,282
China Tower	48,738	75,729	47,299	63,738
IFLYTEK	2,275	9,268	1,887	6,623
True Corporation	7,087	6,432	7,913	6,589

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

- (iii) The Group assesses at the end of each reporting period whether there is objective evidence that interest in associates are impaired.

As at 31 December 2019, the fair value of investment in SPD Bank was RMB65,993 million (as at 31 December 2018: RMB52,282 million) based on its quoted market price, which was below its carrying amount by approximately 31.2% (as at 31 December 2018: approximately 39.9%). Management of the Group performed an impairment test and determined the respective recoverable amount of the investment based on its VIU. The calculation has considered pre-tax cash flow projections of SPD Bank for the five years ending 31 December 2024 with an extrapolation made to perpetuity. The discount rate used to discount the cash flows to their respective net present values was based on cost of capital used to evaluate investments of similar nature in Mainland China. Management judgement is required in estimating the future cash flows of SPD Bank. The key assumptions are determined with reference to external sources of information. Based on the management's assessment results and sensitivity analysis performed, there was no impairment of the investment as at 31 December 2019.

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

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

Details of a major joint venture are as follows:

In 2015, CMC, a wholly-owned subsidiary of the Company, together with State Development & Investment Corporation and China Mobile State Development & Investment Management Company Limited (45% of its registered capital is owned by CMCC), established China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the "Fund"). The Group recognized the investment as interest in a joint venture. CMC committed to invest RMB1,500 million, which represents 50% of the equity interest of the Fund. As at 31 December 2019, CMC had contributed RMB1,256 million (as at 31 December 2018: RMB1,134 million) to the Fund with an outstanding commitment to further invest RMB244 million (as at 31 December 2018: RMB366 million) to the Fund upon request to be lodged by the Fund. There were no contingent liabilities relating to the Group's interest in this joint venture as at 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

22 DEFERRED TAX ASSETS AND LIABILITIES

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

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

Deferred tax assets and liabilities recognized and the movements during 2019

	As at 31 December 2018 (As previously reported) Million	Changes in accounting policies (Note 3) Million	As at 1 January 2019 (As restated) Million	(Charged)/ credited to profit or loss Million	Charged to other comprehensive income Million	Exchange differences Million	As at 31 December 2019 Million
Net deferred tax assets after offsetting:							
Write-down of obsolete inventories	75	-	75	(62)	-	-	13
Depreciation, write-off and impairment of property, plant and equipment	5,289	-	5,289	833	-	-	6,122
Accrued expenses and others	17,715	-	17,715	1,003	-	-	18,718
Deferred revenue from Reward Program	5,784	-	5,784	(299)	-	-	5,485
Credit impairment losses	1,458	-	1,458	179	-	-	1,637
Recognition of right-of-use assets and lease liabilities	-	488	488	281	-	-	769
Change in value of financial assets at FVOCI	(6)	-	(6)	-	(1)	-	(7)
Contract asset, contract liability and contract cost relating to customer contract	(661)	-	(661)	552	-	-	(109)
	29,654	488	30,142	2,487	(1)	-	32,628
Net deferred tax liabilities after offsetting:							
Depreciation of property, plant and equipment	(1,117)	-	(1,117)	(1,152)	-	(13)	(2,282)
Recognition of right-of-use assets and lease liabilities	-	16	16	45	-	-	61
Deferred revenue from Reward Program	157	-	157	109	-	-	266
Accrued expenses and others	138	-	138	427	-	2	567
	(822)	16	(806)	(571)	-	(11)	(1,388)
Total	28,832	504	29,336	1,916	(1)	(11)	31,240

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2018

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

Deferred tax assets are recognized for deductible temporary differences and tax losses carry-forwards only to the extent that the realization of the related tax benefit through future taxable profits is probable. Certain subsidiaries of the Group did not recognize deferred tax assets of RMB8,677 million (2018: RMB6,476 million) in respect of deductible temporary differences and tax losses amounting to RMB42,469 million (2018: RMB29,026 million) that can be carried forward against future taxable income as at 31 December 2019. The deductible tax losses are allowed to be carried forward within next five years against the future taxable profits, while those of high-tech enterprises are allowed to be within next ten years.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

	Financial assets at fair value through other comprehensive income ("FVOCI")⁽ⁱ⁾ Million	Financial assets at fair value through profit or loss ("FVPL")⁽ⁱⁱ⁾ Million
As at 31 December 2018		
– Current portion	–	76,425
– Non-current portion	587	501
	587	76,926
Addition	–	161,343
Maturity	–	(129,505)
Fair value gains recognized in profit or loss	–	5,495
Fair value losses recognized in other comprehensive income, before tax	(74)	–
As at 31 December 2019	513	114,259
Less: Current portion	–	(114,259)
Non-current portion	513	–

Note:

- (i) The category of FVOCI is primarily the equity investments in listed companies that are not held for trading. The equity investments represent the Group's investments in other companies at fair values (mainly level 1: quoted price (unadjusted) in active markets) through other comprehensive income as at 31 December 2019 and 2018.
- (ii) The category of FVPL mainly comprises wealth management products ("WMPs") offered by various financial institutions in China amounting to RMB103,328 million and the Group's investment in the convertible bonds issued by SPD Bank ("CB") amounting to RMB9,928 million. All the WMPs will mature within one year with variable return rates indexed to the performance of underlying assets. As at 31 December 2019 and 2018, they were measured at fair values (level 3: inputs for the assets or liabilities that are not based on observable market data (that is unobservable inputs)). The fair values were determined based on cash flow discounted assuming the expected return will be obtained upon maturity. The CB was acquired by Guangdong Mobile, a wholly-owned subsidiary of the Company in October 2019 at a purchase consideration of RMB9,085 million upon SPD Bank publicly issued the instruments. The CB have been listed for trading and can be converted into equity shares of SPD Bank from 4 May 2020 to 27 October 2025. The CB were measured at the fair value as level 1 of fair value hierarchy.

There were no transfers between the levels of fair value hierarchy for the year ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

24 RESTRICTED BANK DEPOSITS

	As at 31 December 2019			As at 31 December 2018		
	Non-current assets Million	Current assets Million	Total Million	Non-current assets Million	Current assets Million	Total Million
Restricted bank deposits						
– Statutory deposit reserves (Note)	8,586	–	8,586	4,486	–	4,486
– Deposited customer reserves (Note)	1,435	–	1,435	7,882	–	7,882
– Pledged bank deposits	42	371	413	1	9	10
	10,063	371	10,434	12,369	9	12,378

Note: The statutory deposit reserves and the deposited customer reserves are deposited by the subsidiaries of the Company, China Mobile Finance and China Mobile E-Commerce, respectively, in accordance with relevant requirements of the People's Bank of China ("PBOC"), which are not available for use in the Group's daily operations.

25 INVENTORIES

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

26 ACCOUNTS RECEIVABLE

(a) Aging analysis

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

	As at 31 December 2019 Million	As at 31 December 2018 Million
Within 30 days	14,353	11,160
31–60 days	3,789	3,680
61–90 days	3,035	2,358
90 days–1 year	9,575	7,649
Over 1 year	1,942	1,693
	32,694	26,540

Accounts receivable primarily comprise receivables from customers and telecommunications operators. Customers with balances that are overdue or have exceeded credit limits are required to settle all outstanding balances before any further telecommunications services can be provided. The increase of accounts receivable is mainly due to the increase in revenue from corporate markets. Customers from corporate markets normally enjoy longer credit term and have better creditability.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

26 ACCOUNTS RECEIVABLE (CONTINUED)

(b) Impairment loss allowance of accounts receivable

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

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

27 OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

Other receivables, which are measured at amortized cost, are expected to be recovered within one year. They primarily include interest receivable from banks, utilities deposits, rental deposits, short-term loans and short-term debt investments; Among which, short-term loans granted to China Tower through China Mobile Finance was RMB7,450 million (as at 31 December 2018: RMB11,000 million), and other short-term loans granted to banks and other financial institutions as well as short-term debt investments purchased through China Mobile Finance was RMB11,464 million (as at 31 December 2018: RMB13,260 million). The interest rates of short-term loans are mutually agreed among the parties with reference to the market interest rates.

Prepayments and other current assets primarily consist of maintenance prepayments, power and utilities prepayments and input value-added tax to be deducted.

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

28 AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY

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

As at 31 December 2019, amount due to ultimate holding company comprises the short-term deposits of CMCC and its subsidiaries excluding the Group ("CMCC Group") in China Mobile Finance amounting to RMB21,637 million (as at 31 December 2018: RMB10,873 million) and the corresponding interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

29 BANK DEPOSITS

Bank deposits represent term deposits with banks with original maturity exceeding three months. The applicable interest rate is determined in accordance with the benchmark interest rate published by PBOC or with reference to the market interest rate.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

30 CASH AND CASH EQUIVALENTS

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

31 ACCOUNTS PAYABLE

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

The aging analysis of accounts payable is as follows:

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

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

32 DEFERRED REVENUE

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

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

33 ACCRUED EXPENSES AND OTHER PAYABLES

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Ordinary shares, issued and fully paid:

	Number of shares	HK\$ Million	Equivalent RMB Million
As at 1 January and 31 December 2019 and 2018	20,475,482,897	382,263	402,130

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.

(b) Dividends

(i) Dividends attributable to the year:

	2019 Million	2018 Million
Ordinary interim dividend declared and paid of HK\$1.527 (equivalent to approximately RMB1.343) (2018: HK\$1.826 (equivalent to approximately RMB1.540)) per share	28,206	32,870
Ordinary final dividend proposed after the balance sheet date of HK\$1.723 (equivalent to approximately RMB1.543) (2018: HK\$1.391 (equivalent to approximately RMB1.219)) per share	31,602	24,955
	59,808	57,825

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

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

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

	2019 Million	2018 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.391 (equivalent to approximately RMB1.219) (2018: HK\$1.582 (equivalent to approximately RMB1.322)) per share	25,059	27,060

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital Million	General reserve Million	Retained profits Million	Total Million
As at 1 January 2018	402,130	72	87,114	489,316
Changes in equity for 2018:				
Profit for the year	–	–	60,268	60,268
Total comprehensive income for the year	–	–	60,268	60,268
Dividends approved in respect of previous year (note 34(b)(ii))	–	–	(27,060)	(27,060)
Dividends declared in respect of current year (note 34(b)(i))	–	–	(32,870)	(32,870)
As at 31 December 2018	402,130	72	87,452	489,654
As at 1 January 2019	402,130	72	87,452	489,654
Changes in equity for 2019:				
Profit for the year	–	–	53,511	53,511
Total comprehensive income for the year	–	–	53,511	53,511
Dividends approved in respect of previous year (note 34(b)(ii))	–	–	(25,059)	(25,059)
Dividends declared in respect of current year (note 34(b)(i))	–	–	(28,206)	(28,206)
As at 31 December 2019	402,130	72	87,698	489,900

(d) Nature and purpose of different reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

- RMB295,665 million debit balance brought forward as a result of the elimination of goodwill arising on the acquisition of subsidiaries before 1 January 2001 against the capital reserve;
- Share of other comprehensive income/(loss) of investments accounted for using the equity method;

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of different reserves (Continued)

(i) Capital reserve (Continued)

- The changes in fair value of financial assets at FVOCI, net of tax, until the financial assets are derecognized; and
- The difference between the consideration and the carrying amounts of net assets of acquired business under business combinations under common control.

(ii) PRC statutory reserves

PRC statutory reserves mainly include statutory surplus reserve and discretionary surplus reserve.

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

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

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

(iii) Exchange reserve

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

(e) Capital management

The Group's primary objectives of capital management are to maintain a reasonable capital structure and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group actively and regularly reviews and manages its capital structure to stabilize the capital position and prevent operation risk. Meanwhile, the Group will maximize the shareholders' return when having high level of borrowings and will make adjustment on the capital structure in accordance with the changes in economic conditions.

The Group monitors capital on the basis of total debt-to-book capitalization ratio. This ratio is calculated as total borrowings divided by book capitalization (equal to the total equity attributable to equity shareholders of the Company as shown in the consolidated balance sheet and total borrowings).

As at 31 December 2019 and 2018, the Group's total debt-to-book capitalization ratio was nil.

Except for China Mobile Finance that is subject to certain capital requirements imposed by China Banking and Insurance Regulatory Commission, the Company and its other subsidiaries are not subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

35 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2019 Million	As at 31 December 2018 Million
Assets			
Non-current assets			
Investments in subsidiaries		492,759	491,748
		492,759	491,748
Current assets			
Amounts due from subsidiaries		1,346	1,346
Other receivables		3	5
Bank deposits		603	1,018
Cash and cash equivalents		310	245
		2,262	2,614
Total assets		495,021	494,362
Equity and liabilities			
Liabilities			
Current liabilities			
Amount due to a subsidiary		5,094	4,610
Accrued expenses and other payables		18	98
Income tax payable		9	–
		5,121	4,708
Total liabilities		5,121	4,708
Equity			
Share capital	34(a)	402,130	402,130
Reserves	34(c)	87,770	87,524
Total equity		489,900	489,654
Total equity and liabilities		495,021	494,362

The balance sheet of the Company was approved by the Board of Directors on 19 March 2020 and was signed on its behalf.

Yang Jie

Name of Director

Dong Xin

Name of Director

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

36 RELATED PARTY TRANSACTIONS

(a) Transactions with CMCC Group

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

	Note	2019 Million	2018 Million
Telecommunications services revenue	(i)	495	71
Property leasing and management services revenue	(ii)	197	226
Telecommunications services charges	(i)	103	–
Property leasing and management services charges	(ii)	1,129	1,009
Charges for use of network assets	(iii)	1,448	2,308
Charges of use of network capacity	(iii)	30	402
Interest expenses	(iv)	187	142
Short-term bank deposits received	(iv)	21,637	10,873
Short-term bank deposits repaid	(iv)	10,873	8,611
Consideration of assets transferred	(v)	873	–

The outstanding balances related to transactions with CMCC Group are included in the following accounts captions summarized as follows:

	Note	As at 31 December 2019 Million	As at 31 December 2018 Million
Accounts receivable		630	282
Other receivables		277	145
Prepayments and other current assets		2	5
Amounts due from ultimate holding company		1,350	570
Right-of-use assets		399	–
Lease liabilities		468	–
Accounts payable		6,741	5,825
Accrued expenses and other payables		90	80
Amounts due to ultimate holding company	(iv)	21,677	11,020

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

Note:

- (i) The amounts represent telecommunications services settlement received/receivable or paid/payable from CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, and telecommunications line maintenance services.
- (ii) The amounts represent the charges of property leasing and management fees received/receivable from or paid/payable to CMCC Group in respect of offices, retail outlets and warehouses. For the year ended 31 December 2019, the amounts included the depreciation of right-of-use assets recognized in relation to the property leasing agreements and the finance cost associated with the lease liabilities.
- (iii) The amounts represent the charges for use of network assets and the TD-SCDMA network capacity charges paid/payable to CMCC Group.
- (iv) The amounts represent the deposits received from or repaid to CMCC Group and interest expenses paid/payable to CMCC Group in respect of the deposits.
- (v) On 9 August 2019, the Group completed an acquisition of assets related to the "Village Connect" project, at a total consideration of RMB873 million.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)

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

The following is a summary of principal related party transactions entered into by the Group with the associates and joint ventures of the Group for the year ended 31 December 2019 and 2018.

	Note	2019 Million	2018 Million
Telecommunications services revenue	(i)	535	604
Property leasing and management services revenue	(ii)	30	40
Interest and other income	(iii)	6,130	4,083
Dividend income		2,299	691
Related costs for use of tower assets	(iv)	39,843	37,837

The outstanding balances related to transactions with the associates and joint ventures of the Group are included in the following accounts captions summarized as follows:

	Note	As at 31 December 2019 Million	As at 31 December 2018 Million
Accounts receivable	(i)	225	240
Interest receivable	(iii)	831	829
Right-of-use assets	(iv)	40,316	–
Other receivables	(v)	9,545	12,518
Financial assets at FVPL	(vi)	54,490	41,128
Bank deposits	(vii)	59,205	44,955
Prepayments and other current assets		36	160
Lease liabilities	(iv)	43,142	–
Accounts payable	(iv)	4,708	3,252
Bills payable	(iv)	356	135
Accrued expenses and other payables	(iv)	6,511	7,301

Note:

- (i) The amounts represent the telecommunications services revenue received/receivable from the Group's associates and joint ventures.
- (ii) The amounts represent the property leasing revenue received/receivable from China Tower.
- (iii) The amounts primarily represent interest received/receivable from deposits placed with SPD Bank, placements with SPD Bank and short-term loans granted to China Tower; and they also include income derived from WMP purchased from SPD Bank and the income from the CB publicly issued by SPD Bank as mentioned in Note 23.
- (iv) The amounts primarily represent the right-of-use assets and lease liabilities recognized and the amount paid/payable to China Tower for the use of telecommunications towers. Related costs for use of tower assets include charges for use of tower assets, the depreciation of the right-of-use assets, and the finance cost associated with the lease liabilities.
- (v) Other receivables primarily represent the short-term loans granted to China Tower and placements with SPD Bank and withholding power and utilities expenses and lease charges payable on behalf of China Tower, etc. The interest rates of short-term loans are mutually agreed among both parties with reference to the market interest rates.
- (vi) The amounts represent the WMP purchased from SPD Bank and the CB publicly issued by SPD Bank. The return rates of WMP are determined with reference to market conditions and the fair values of CB are based on quoted market prices (level 1).
- (vii) The amounts represent the deposits placed with SPD Bank, the interest rate of which is determined in accordance with the benchmark interest rate published by PBOC.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with associates and joint ventures of CMCC Group

In addition, the Group has entered into transactions with associates and joint ventures of CMCC Group during the ordinary course of the Group's business based on terms comparable to terms of transactions enacted with other entities, the amounts of such transactions and related outstanding balances were not material.

(d) Transactions with other government-related entities in the PRC

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through government authorities, agencies, affiliations and other organization (collectively referred to as "government-related entities").

Apart from transactions with CMCC Group (notes 28 and 36(a)), associates and joint venture (note 36(b)) and the transaction to increase contribution to the Fund (note 21), the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- rendering and receiving telecommunications services, including interconnection revenue/charges
- purchasing of goods, including use of public utilities
- placing of bank deposits

These transactions are conducted during the ordinary course of the Group's business based on terms comparable to the terms of transactions enacted with other entities that are not government-related. The Group prices all its telecommunications services and products based on commercial negotiations with reference to rules and regulations stipulated by related authorities of the PRC Government, where applicable. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

(e) For key management personnel remuneration, please refer to note 11.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk and concentration risk

The Group's credit risk is primarily attributable to the financial assets in the balance sheet, which mainly include deposits with banks, WMPs (recorded in FVPL), CB (recorded in FVPL), accounts receivable and other receivables. The maximum exposure to credit risk is represented by the carrying amount of the financial assets.

(i) Risk management

Substantially all the Group's cash at banks and bank deposits are deposited in financial institutions in Mainland China and Hong Kong. The credit risk on liquid funds is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies and large state-controlled financial institutions. WMPs are issued by major domestic banks investing in low risk underlying assets, which mainly consist of bank deposits, treasury bond, central bank bill, local government debt, corporate bond or debt with high credit ratings, and the related credit risks are low. CB are bonds with AAA credit rating bonds issued by SPD Bank, with a low level of credit risks.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk and concentration risk (Continued)

(i) Risk management (Continued)

The accounts receivable of the Group is primarily comprised of receivables due from customers and other telecommunications operators. Accounts receivable from individual customers are spread among an extensive number of customers and the majority of the receivables from customers are due for payment within one month from the date of billing. For corporate customers, the credit period granted by the Group is based on the service contract terms, normally not exceeding 1 year. Other receivables primarily comprise interest receivable from banks, utilities deposits, rental deposits and short-term loans granted to other companies through China Mobile Finance. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis, taking into account the counter parties' financial position, the Group's past experience and other factors. Meanwhile, concentrations of credit risk with respect to accounts receivable are limited due to the Group's customer base being large and unrelated. As such, management considers the aggregate risks arising from the possibility of credit losses is limited and acceptable.

(ii) Impairment of financial assets

The Group has 3 types of assets that are subject to expected credit loss model:

- Accounts receivable
- Contract assets
- Other financial assets at amortized cost

Accounts receivable and contract assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable and contract assets.

To measure the expected credit losses, accounts receivable have been grouped by amounts due from individual customers, corporate customers, and other miscellaneous customer groups based on similar credit risk characteristics and ages.

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

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

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

Credit impairment losses on accounts receivable and contract assets are presented within other operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk and concentration risk (Continued)

(ii) Impairment of financial assets (Continued)**Other financial assets at amortized cost**

Other financial assets at amortized cost include cash and cash equivalents, bank deposits, other receivables and amounts due from ultimate holding company, etc. They are considered to be of low credit risk and thus the impairment loss allowance recognized is limited to 12 months. Management considers that the expected credit loss is insignificant.

(b) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and bank deposits (which are readily convertible to known amounts of cash) to meet its funding needs, including working capital, payments for short-term deposits of CMCC Group received by China Mobile Finance, dividend payments and capital expenditures.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date the Group would be required to repay:

	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 years or on demand Million	More than 1 years but less than 3 years Million	More than 3 years but less than 5 years Million	More than 5 years Million
As at 31 December 2019						
Accounts payable	164,818	164,818	164,818	-	-	-
Bills payable	2,896	2,896	2,896	-	-	-
Accrued expenses and other payables	182,368	182,368	182,368	-	-	-
Amount due to ultimate holding company	21,677	21,677	21,677	-	-	-
Lease liabilities	74,303	80,973	23,814	39,791	9,662	7,706
	446,062	452,732	395,573	39,791	9,662	7,706

	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 years or on demand Million	More than 1 years but less than 3 years Million	More than 3 years but less than 5 years Million	More than 5 years Million
As at 31 December 2018						
Accounts payable	190,847	190,847	190,847	-	-	-
Bills payable	3,221	3,221	3,221	-	-	-
Accrued expenses and other payables	195,572	195,572	195,572	-	-	-
Amount due to ultimate holding company	11,020	11,020	11,020	-	-	-
	400,660	400,660	400,660	-	-	-

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates in managing the interest rate risk on a reasonable level. As at 31 December 2019, the Group did not have any interest-bearing borrowings at variable rates, but had RMB21,637 million of short-term bank deposits placed by CMCC (2018: RMB10,873 million), which were at fixed rate and expose the Group to fair value interest rate risk. The Group determines the amount of its fixed rate borrowings depending on the prevailing market condition. Management does not expect fair value interest rate risk to be high as the interest involved will not be significant.

As at 31 December 2019, total cash and bank balances of the Group amounted to RMB317,166 million (2018: RMB361,567 million), interest-bearing receivables amounted to RMB18,914 million (2018: RMB24,260 million) and WMPs amounted to RMB103,328 million (2018: RMB76,425 million). The interest and other income generated by the assets mentioned above for 2019 was RMB14,408 million (2018: RMB15,885 million) and the average interest rate was 3.17% (2018: 3.33%). Assuming the total cash and bank balances, interest-bearing receivables and WMPs are stable in the coming year and interest rate increases/decreases by 100 basis points, the profit for the year and total equity would approximately increase/decrease by RMB3,334 million (2018: RMB3,480 million).

(d) Foreign currency risk

The Group has foreign currency risk as certain cash and deposits with banks are denominated in foreign currencies, principally US dollars and Hong Kong dollars that is different from the functional currency of the respective group entities. As the amount of the Group's foreign currency cash and deposits with banks represented 3.5% (2018: 3.3%) of the total cash and deposits with banks and predominantly all of the business operations of the Group are transacted in RMB, the Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

(e) Fair values

The carrying amount of the financial instruments carried at amortized cost are not materially different from their respective fair values at the balance sheet dates due to the short-terms or repayable on demand nature.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

38 COMMITMENTS

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

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

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

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

(c) Investment commitments

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

39 POST BALANCE SHEET EVENT

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

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

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

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented across the country. The pandemic has impacted the business development of the Group to some extent, and the Group will pay close attention to the development of the COVID-19 outbreak and continuously evaluate its impact on the financial position and operating results of the Group.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

Impairment losses of accounts receivable

The impairment loss allowance of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group assesses these assumptions and selects the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at each balance sheet date.

Amortization of contract cost

Certain costs incurred to obtain contracts are deferred and recognized as assets on the Group's consolidated balance sheet. Such assets should be amortized on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates. The Group determines the amortization periods for these assets as the expected duration of the customer contract, which is consistent with the recognition of revenue from the products and services to which the assets relate. The amortization period is updated if there is a significant change in the Group's expected duration of the customer contract.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

40 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (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.

Taxation

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

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

Impairment of property, plant and equipment, goodwill, right-of-use assets, other intangible assets and investments accounted for using the equity method

The Group's property, plant and equipment comprise a significant portion of the Group's total assets. Changes in technology or industry conditions may cause the estimated period of use or the value of these assets to change. Property, plant and equipment, right-of-use assets, other intangible assets subject to amortization and investments accounted for using the equity method, are reviewed at least annually to determine whether there is any indication of impairment. The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. In addition, for goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable estimation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in further impairment charge or reversal of impairment in future periods. Additional information for the impairment assessment of property, plant and equipment, goodwill and investments accounted for using the equity method is disclosed in notes 15, 19 and 21, respectively.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

Up to the date of issue of these financial statements, the IASB/HKICPA has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
IFRS/HKFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IAS/HKAS 1 "Presentation of Financial Statements" and IAS/HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	1 January 2020
Amendments to IFRS/HKFRS 3 "Business Combinations" – "Definition of a Business"	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendment to IFRS/HKFRS 9 "Financial Instruments" and IFRS/HKFRS 7 "Financial Instruments: Disclosures" – interest rate benchmark reform	1 January 2020
Amendments to IFRS/HKFRS 10 "Consolidated Financial Statements" and IAS/HKAS 28 "Investments in associates and joint ventures"	To be determined

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

Financial Summary

(Expressed in RMB)

RESULTS

	2019	2018	2017	2016	2015
	Million	Million	Million	Million	Million
Operating revenue					
Revenue from telecommunications services	674,392	670,907	668,351	623,422	584,089
Revenue from sales of products and others	71,525	65,912	72,163	84,999	84,246
	745,917	736,819	740,514	708,421	668,335
Operating expenses					
Network operation and support expenses	175,810	200,007	192,340	176,956	154,851
Depreciation and amortization	182,818	154,154	150,295	138,589	137,106
Employee benefit and related expenses	102,518	93,939	85,513	79,463	74,805
Selling expenses	52,813	60,326	61,086	57,493	59,850
Cost of products sold	72,565	66,231	73,668	87,352	89,297
Other operating expenses	46,244	40,775	57,486	50,480	49,504
	632,768	615,432	620,388	590,333	565,413
Profit from operations	113,149	121,387	120,126	118,088	102,922
Gain on the transfer of Tower Assets	–	–	–	–	15,525
Other gains	4,029	2,906	2,389	1,968	1,800
Interest and other income	15,560	15,885	15,883	16,005	15,852
Finance costs	(3,246)	(144)	(210)	(235)	(455)
Income from investments accounted for using the equity method	12,641	13,861	9,949	8,636	8,090
Profit before taxation	142,133	153,895	148,137	144,462	143,734
Taxation	(35,342)	(35,944)	(33,723)	(35,623)	(35,079)
PROFIT FOR THE YEAR	106,791	117,951	114,414	108,839	108,655

Financial Summary (Continued)

(Expressed in RMB)

RESULTS (CONTINUED)

	2019	2018	2017	2016	2015
	Million	Million	Million	Million	Million
Other comprehensive income/(loss) for the year, net of tax:					
Item that will not be subsequently reclassified to profit or loss					
Changes in the fair value of equity investments at fair value through other comprehensive income	(75)	(168)	–	–	–
Share of other comprehensive income/(loss) of investments accounted for using the equity method	14	60	–	(16)	–
Items that may be subsequently reclassified to profit or loss					
Change in value of available-for-sale financial assets	–	–	(5)	24	–
Currency translation differences	683	1,160	(735)	774	603
Share of other comprehensive income/(loss) of investments accounted for using the equity method	428	1,188	(1,038)	(1,043)	901
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,841	120,191	112,636	108,578	110,159
Profit attributable to:					
Equity shareholders of the Company	106,641	117,781	114,279	108,741	108,539
Non-controlling interests	150	170	135	98	116
PROFIT FOR THE YEAR	106,791	117,951	114,414	108,839	108,655
Total comprehensive income attributable to:					
Equity shareholders of the Company	107,691	120,021	112,501	108,480	110,043
Non-controlling interests	150	170	135	98	116
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,841	120,191	112,636	108,578	110,159

Financial Summary (Continued)

(Expressed in RMB)

ASSETS AND LIABILITIES

	As at 31 December 2019 Million	As at 31 December 2018 Million	As at 31 December 2017 Million	As at 31 December 2016 Million	As at 31 December 2015 Million
Property, plant and equipment	674,832	666,496	648,029	622,356	585,631
Right-of-use assets	74,308	–	–	–	–
Construction in progress	67,978	72,180	78,112	89,853	88,012
Land use rights and others	27,455	27,778	28,322	26,720	26,773
Goodwill	35,343	35,343	35,343	35,343	35,343
Other intangible assets	3,475	2,620	1,721	1,708	768
Investments accounted for using the equity method	155,228	145,325	132,499	124,039	115,933
Deferred tax assets	32,628	29,654	33,343	29,767	25,423
Financial assets at fair value through other comprehensive income	513	587	–	–	–
Available-for-sale financial assets	–	–	44	35	3
Proceeds receivable for the transfer of Tower Assets	–	–	–	–	56,737
Restricted bank deposits	10,063	12,369	6,504	4,528	4,575
Other non-current assets	17,551	8,442	–	–	–
Current assets	529,866	535,116	558,196	586,645	488,697
Total assets	1,629,240	1,535,910	1,522,113	1,520,994	1,427,895
Current liabilities	462,067	474,398	529,982	536,389	501,038
Interest-bearing borrowings – non-current	–	–	–	–	4,995
Lease liabilities – non-current	51,635	–	–	–	–
Deferred revenue – non-current	6,861	4,881	2,888	2,175	1,291
Deferred tax liabilities	1,388	822	362	292	203
Total liabilities	521,951	480,101	533,232	538,856	507,527
Total equity	1,107,289	1,055,809	988,881	982,138	920,368

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. YANG Jie
(Executive Director & Chairman)

Mr. WANG Yuhang
(Executive Director)

Mr. DONG Xin
(Executive Director,
Vice President &
Chief Financial Officer)

Independent Non-Executive Directors

Dr. Moses CHENG Mo Chi

Mr. Paul CHOW Man Yiu

Mr. Stephen YIU Kin Wah

Dr. YANG Qiang

PRINCIPAL BOARD COMMITTEES

Audit Committee

Mr. Stephen YIU Kin Wah (Chairman)

Dr. Moses CHENG Mo Chi

Mr. Paul CHOW Man Yiu

Dr. YANG Qiang

Remuneration Committee

Dr. Moses CHENG Mo Chi
(Chairman)

Mr. Paul CHOW Man Yiu

Mr. Stephen YIU Kin Wah

Nomination Committee

Mr. Paul CHOW Man Yiu (Chairman)

Dr. Moses CHENG Mo Chi

Mr. Stephen YIU Kin Wah

COMPANY SECRETARY

Ms. WONG Wai Lan, Grace
(FCS, FCIS)

AUDITORS

PricewaterhouseCoopers
*Registered Public Interest
Entity Auditor*

PricewaterhouseCoopers
Zhong Tian LLP
*Recognised Public Interest
Entity Auditor*

LEGAL ADVISER

Sullivan & Cromwell (Hong Kong)
LLP

REGISTERED OFFICE

60/F, The Center
99 Queen's Road Central
Hong Kong

PUBLIC AND INVESTOR RELATIONS

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183 Queen's Road East
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Hong Kong

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Louisville, KY 40233-5000
USA

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The Bank of New York Mellon
Shareholder Correspondence
462 South 4th Street, Suite 1600
Louisville, KY 40202
USA
Tel: 1-888-269-2377 (toll free in USA)
1-201-680-6825 (international call)
Email: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

PUBLICATIONS

As required by the United States securities laws and regulations, the Company shall file an annual report on Form 20-F with the US SEC before 30 April each year. Copies of the annual report of the Company as well as the annual report on Form 20-F, once filed, will be available at:

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