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## **CHINA MOBILE LIMITED**

**中國移動有限公司**

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

**(Stock Code: 941)**

### **CONNECTED TRANSACTION ACQUISITION OF CHINA TOPSSION COMMUNICATION CO., LTD.**

#### **SUMMARY**

The Board is pleased to announce that China Mobile Communication, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendors (which include CMCC) on 16 March 2011. Pursuant to the Share Transfer Agreement, China Mobile Communication agreed to purchase and the Vendors agreed to sell 100% of the share capital of Topssion, a company primarily engaged in the business of sales of mobile phone handsets and devices. The total consideration for the share transfer is RMB237,070,000 (equivalent to approximately HK\$281,161,792) and will be satisfied in cash and payable to the Vendors on the Completion Date. The consideration will be funded using internal resources of China Mobile Communication.

CMCC is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the acquisition of 100% share capital of Topssion by China Mobile Communication constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Share Transfer Agreement is less than 5%, such transaction is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that China Mobile Communication, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendors (which include CMCC) on 16 March 2011. Pursuant to the Share Transfer Agreement, China Mobile Communication agreed to purchase and the Vendors agreed to sell 100% of the share capital of Topssion, a company primarily engaged in the business of sales of mobile phone handsets and devices. The total consideration for the share transfer is RMB237,070,000 (equivalent to approximately HK\$281,161,792) and will be satisfied in cash and payable to the Vendors on the Completion Date. The consideration will be funded using internal resources of China Mobile Communication.

# THE SHARE TRANSFER AGREEMENT

## 1 Date

16 March 2011

## 2 Parties

Vendors: (a) CMCC;  
(b) ZTE;  
(c) Eastcom;  
(d) Beijing Digital;  
(e) Ningbo Bird; and  
(f) Huawei Investment.

Purchaser: China Mobile Communication

The Vendors in aggregate hold 100% of the share capital of Topssion, of which CMCC holds 29%, ZTE holds 16%, Eastcom holds 15%, Beijing Digital holds 15%, Ningbo Bird holds 15% and Huawei Investment holds 10%.

## 3 Consideration

Pursuant to the Share Transfer Agreement, the total consideration for the 100% share capital of Topssion is RMB237,070,000 (equivalent to approximately HK\$281,161,792), which will be satisfied in cash and payable to the Vendors as follows on the Completion Date and will be funded using internal resources of China Mobile Communication:

- (a) RMB68,750,300 (equivalent to approximately HK\$81,536,920) payable to CMCC;
- (b) RMB37,931,200 (equivalent to approximately HK\$44,985,887) payable to ZTE;
- (c) RMB35,560,500 (equivalent to approximately HK\$42,174,269) payable to Eastcom;
- (d) RMB35,560,500 (equivalent to approximately HK\$42,174,269) payable to Beijing Digital;
- (e) RMB35,560,500 (equivalent to approximately HK\$42,174,269) payable to Ningbo Bird; and
- (f) RMB23,707,000 (equivalent to approximately HK\$28,116,179) payable to Huawei Investment.

The consideration was determined with reference to the Assets Valuation Report prepared by CEA, an independent valuer, where asset-based valuation methods (other than methods based on discounted cash flows or projections of profits or cash flows) have been employed for the purpose of determining the appraised value, and on the basis of normal commercial terms and arm's length negotiation among the parties to the Share Transfer Agreement. According to the Asset Valuation Report, the net assets value of Topssion as at 30 November 2010 is RMB237,070,000 (equivalent to approximately HK\$281,161,792).

## **4 Information on Topssion**

### *4.1 General information on Topssion*

Topssion is a joint stock limited company incorporated in the PRC. It is primarily engaged in the business of sales of mobile phone handsets and devices.

Topssion was founded by the Vendors (as joint promoters) and was established on 22 July 2004. The total registered capital of Topssion is RMB200,000,000 (equivalent to approximately HK\$237,197,277). The Vendors in aggregate hold 100% share capital of Topssion, of which CMCC holds 29%, ZTE holds 16%, Eastcom holds 15%, Beijing Digital holds 15%, Ningbo Bird holds 15% and Huawei Investment holds 10%.

### *4.2 Financial Information of Topssion*

According to the Auditor's Report issued by Zhongrui Yuehua Certified Public Accountants Co., Ltd., an independent auditor, as of 30 November 2010, Topssion had audited consolidated total assets of RMB1,000,079,730.36 (equivalent to approximately HK\$1,186,080,944). According to Topssion's audited balance sheet prepared in accordance with CAS, as of 31 December 2009, Topssion had audited consolidated total assets of RMB990,181,331.20 (equivalent to approximately HK\$1,174,341,577).

For the eleven months ended 30 November 2010, the audited net profit before and after taxation of Topssion as disclosed in its audited consolidated income statement prepared in accordance with CAS were RMB12,124,492.40 (equivalent to approximately HK\$14,379,483) and RMB3,761,364.94 (equivalent to approximately HK\$4,460,928), respectively. For the year ended 31 December 2009, the audited net profit before and after taxation of Topssion as disclosed in its audited income statement prepared in accordance with CAS were RMB30,973,230.82 (equivalent to approximately HK\$36,733,830) and RMB21,081,652.37 (equivalent to approximately HK\$25,002,553), respectively. For the year ended 31 December 2008, the audited net profit before and after taxation of Topssion as disclosed in its audited income statement prepared in accordance with CAS were RMB20,930,222.96 (equivalent to approximately HK\$24,822,959) and RMB16,709,160.67 (equivalent to approximately HK\$19,816,837), respectively.

## 5 Conditions and Completion

The obligation for the Purchaser to pay the consideration for the 100% share capital of Topssion to the Vendors as stipulated under the Share Transfer Agreement is subject to the satisfaction and/or waiver of the following conditions:

- (a) Conditions to be fulfilled by the Vendors:
  - (i) the Assets Valuation Report having been filed by CMCC in accordance with applicable laws;
  - (ii) the Vendors having completed their internal corporate procedures and having obtained all necessary approvals in respect of the transaction;
  - (iii) the shareholder's general meeting of Topssion having approved the transaction and the change of the form of corporation of Topssion in accordance with its articles of association and the appointment of the proposed directors and supervisors of Topssion nominated by the Purchaser;
  - (iv) resignation letters from the existing directors and supervisors of Topssion who were nominated by the Vendors having been served to Topssion, such resignation letters shall state that the resignation of such directors or supervisors of Topssion shall take effect from the date on which the directors and supervisors of Topssion nominated by the Purchaser assume their office;
  - (v) if any notice is required to be made to and/or any consent is required to be obtained from any counterparty to any contract that Topssion entered into, in accordance with applicable laws or any provisions of any such contracts, all such notices having been made and all such consents having been obtained;
  - (vi) since the signing of the Share Transfer Agreement, Topssion has been carrying out its ordinary business, and no material adverse change has occurred, and no fact or situation exists which may be reasonably expected to result in any material adverse change;
  - (vii) the representations, warranties and statements made by the Vendors under the Share Transfer Agreement remaining true, accurate and complete in all material respects, as if they were made on the Completion Date;
  - (viii) no substantive violation by the Vendors of any provisions of the Share Transfer Agreement.

- (b) Conditions to be fulfilled by the Purchaser:
- (i) the board of directors of the Purchaser and the Board of the Company having approved the transaction;
  - (ii) the Purchaser having completed the relevant state-owned enterprise investment filing with the State-owned Assets Supervision and Administration Commission of the State Council in respect of the transaction;
  - (iii) the representations, warranties and statements made by the Purchaser under the Share Transfer Agreement remaining true, accurate and complete in all material respects, as if they were made on the Completion Date;
  - (iv) no substantive violation by the Purchaser of any provisions of the Share Transfer Agreement.

The parties to the Share Transfer Agreement agreed to use their reasonable efforts to satisfy the above conditions within 90 days after the signing of the Share Transfer Agreement. If any of the above conditions has not been satisfied or waived within 90 days of the date of the Share Transfer Agreement, the Vendors or the Purchaser (as the case may be) is entitled to terminate the Share Transfer Agreement by written notice. As of the date of this announcement, the above conditions have not been satisfied or waived. If the transaction contemplated under the Share Transfer Agreement is completed, the profit and loss of Topssion for the period from the evaluation reference date in the Assets Valuation Report, being 30 November 2010, to the Completion Date shall be enjoyed or borne by the Purchaser.

Upon completion, the form of corporation of Topssion will be changed from joint stock limited company to limited liability company but the total registered capital of Topssion will remain as RMB200,000,000 (equivalent to HK\$237,197,277) and Topssion will become a wholly-owned subsidiary of China Mobile Communication and the assets, liabilities and results of Topssion will be consolidated with those of the Company.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

With the burgeoning growth of the 3G business and mobile Internet and the increasing popularity of intelligent terminals, the influence of mobile phone communication terminals in mobile communication services has become increasingly significant. The entry of telecommunications operators into the business of distribution and retail of communication terminals will allow operators to strengthen their influence over the value chain. It will also accelerate the maturity of 3G business, promote the integrated marketing of services and terminals, enhance the value for medium and high-end customers and strengthen their ability to attract new customers, thereby maximising marketing benefits and eventually driving the growth of mobile communication business.

The Group is the largest telecommunications operator in the world in terms of customer base, with over 500 million customers. Covering all urban and rural areas of the country, the Group's sales network enjoys notable economies of scale and has a remarkable impact on both the upstream and downstream industry chain which is an advantage to the Group for the distribution and retail sales of communication terminals.

After years of operation, Topssion has managed to accumulate rich experience in terminal business, with strong distribution and retail capabilities and a sizeable sales volume. Upon completion of the transaction, Topssion will become a wholly-owned subsidiary of the Company, which will give a strong impetus to the Group's terminal distribution and retail business and promote the overall development of its business.

## **LISTING RULES IMPLICATIONS**

CMCC is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the acquisition of 100% share capital of Topssion by China Mobile Communication, a wholly-owned subsidiary of the Company, constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Share Transfer Agreement is less than 5%, such transaction is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

ZTE, Eastcom, Beijing Digital, Ningbo Bird and Huawei Investment are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

The Group does not have any other prior transactions or relationship with CMCC and its associates which require aggregation with the transaction contemplated under the Share Transfer Agreement under Rule 14A.25 of the Listing Rules.

The Directors (including independent non-executive Directors) of the Company are of the view that the Share Transfer Agreement was entered into after arm's length negotiation between the parties thereto, reflects normal commercial terms and is in the interests of the shareholders of the Company and the Company as a whole. The Directors (including independent non-executive Directors) are also of the view that the terms thereunder are fair and reasonable. None of the Directors has a material interest in the transaction under the Share Transfer Agreement or, is required to abstain from voting on the board resolution for considering and approving such transaction.

## **GENERAL INFORMATION**

CMCC is a State-owned company established under the laws of the PRC and the ultimate controlling shareholder of the Company holding indirectly approximately 74.21% of the total issued and outstanding share capital of the Company. Through the Group, CMCC is the leading provider of mobile telecommunications services in the PRC.

ZTE is a joint stock limited company incorporated in the PRC. It is a leading global comprehensive communication solutions provider, providing full range of wireless and cable business, terminal products and professional communication services.

Eastcom is a joint stock limited company incorporated in the PRC. It is an equipment and services provider of communication equipment and financial electronics products.

Beijing Digital is a company incorporated in the PRC with limited liability, and is the largest consumer IT product retailer in China with more than 20 years of experience in the IT industry.

Ningbo Bird is a joint stock limited company incorporated in the PRC, and is mainly engaged in research and development, manufacturing and sales of telecommunication products.

Huawei Investment is a company incorporated in the PRC with limited liability, and is mainly engaged in research, development and sales of high technology products and related services.

The Group is the leading mobile services provider in China, which operates nationwide mobile telecommunications networks in all thirty-one provinces, autonomous regions and directly-administered municipalities in Mainland China and in Hong Kong. The Company is an investment holding company.

China Mobile Communication is a company incorporated in the PRC with limited liability, and is a wholly-owned subsidiary of the Company. It is mainly engaged in mobile communications and related business.

This announcement contains translations between Renminbi and Hong Kong dollars at RMB0.84318 = HK\$1.00. The translations are not representations that the Renminbi and Hong Kong dollar amounts could actually be converted at such rate, if at all.

## DEFINITIONS

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

“Assets Valuation Report”	the assets valuation report prepared by CEA in respect of Topssion (Zhong Qi Hua Ping Bao Zi No.[2010] 737)
“Beijing Digital”	北京神州數碼有限公司(Beijing Digital China Limited) (being unofficial English translation), a company incorporated in the PRC with limited liability
“Board”	the board of Directors of the Company
“CAS”	Chinese Accounting Standards for Business Enterprises
“CEA”	China Enterprise Appraisals Co., Ltd, an independent assets valuer
“China Mobile Communication” or “Purchaser”	China Mobile Communication Co., Ltd., a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Company
“CMCC”	China Mobile Communications Corporation, a state-owned enterprise established under the laws of the PRC, the ultimate controlling shareholder of the Company
“Company”	China Mobile Limited, a company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited and American Depositary Shares are listed on the New York Stock Exchange
“Completion Date”	the third business day after the date of the satisfaction and/or waiver of all the conditions precedent for the Purchaser to pay the consideration for the share transfer to the Vendors as stipulated under the Share Transfer Agreement
“Directors”	the directors of the Company
“Eastcom”	Eastern Communications Co., Ltd, a joint stock limited company incorporated in the PRC
“Group”	the Company and its subsidiaries
“Huawei Investment”	Shenzhen Huawei Investment & Holdings Co., Ltd., a company incorporated in the PRC with limited liability



“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ningbo Bird”	Ningbo Bird Co., Ltd., a joint stock limited company incorporated in the PRC
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the share transfer agreement entered into between China Mobile Communication and the Vendors in respect of the transfer of 100% shares of Topssion on 16 March 2011
“Shareholders”	the shareholders of the Company
“Topssion”	中移鼎訊通信股份有限公司 (China Topssion Communication Co., Ltd.) (being unofficial English translation), a joint stock limited company incorporated in the PRC
“Vendors”	CMCC, ZTE, Eastcom, Beijing Digital, Ningbo Bird and Huawei Investment
“ZTE”	ZTE Corporation, a joint stock limited company incorporated in the PRC

By Order of the Board  
**China Mobile Limited**  
**Wang Jianzhou**  
*Chairman*

Hong Kong, 16 March 2011

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wang Jianzhou, Mr. Li Yue, Mr. Lu Xiangdong, Mr. Xue Taohai, Madam Huang Wenlin, Mr. Sha Yuejia, Mr. Liu Aili, Madam Xin Fanfei and Mr. Xu Long as executive directors and Dr. Lo Ka Shui, Mr. Frank Wong Kwong Shing and Dr. Moses Cheng Mo Chi as independent non-executive directors.*