

## China Telecom (Hong Kong) Limited Announced 1999 Results

China Telecom (Hong Kong) Limited ("CTHK" or "Company") announced its 1999 results today.

1999 was an extraordinary year for the Company. In November, the Company successfully launched a follow-on US\$ 2 billion public equity offering and a US\$ 600 million 5-year global bond offering. Thereafter, the Company concluded its acquisition of 100 per cent ownership of Fujian Mobile Communication Company Limited ("Fujian Mobile"), Henan Mobile Communication Company Limited ("Henan Mobile") and Hainan Mobile Communication Company Limited ("Hainan Mobile"), extending CTHK's business coverage to six provinces in China and reaching a total combined population of 320 million. During the past year, CTHK's business grew rapidly in terms of both subscriber base and network usage volume, achieving strong growth and maintaining its leading market position in the six provinces. In 1999, the Company sought credit ratings from Standard & Poor's and Moody's. With its solid credit fundamentals, the Company obtained a ranking of BBB (China's sovereign rating) from Standard & Poor's and Baa2 from Moody's.

As of 31 December 1999, CTHK's aggregate subscriber base reached 15.621 million, representing a growth rate of 139.18 per cent from CTHK's subscriber base at the end of 1998. The pro forma\* aggregate usage volume of CTHK's subscribers in 1999 was 56.16 billion minutes, representing a growth rate of 60.96 per cent from the pro forma combined aggregate minutes of usage in 1998. According to CTHK's estimates, CTHK's aggregate market share was approximately 87.41 per cent in the six provinces, accounting for 36.13 per cent of the mainland China cellular telecommunications market as a whole at the end of 1999.

CTHK's financial results were equally impressive in 1999. In 1999, CTHK recorded audited consolidated turnover of RMB 38.623 billion (HK\$36.266 billion), representing an increase of 46.60 per cent over the previous year. EBITDA was RMB 21.603 billion (HK\$ 20.285 billion), representing an increase of 67.88 per cent over the previous year. To accommodate the development of new technologies and businesses, CTHK made a provision in 1999 for its analog mobile telecommunications assets which resulted in a decline in net profit of 30.48 per cent over the previous year to RMB 4.797 billion (HK\$4.505 billion), and a decline in earnings per share from 1998 to RMB 0.40 (HK\$0.38) in 1999. However, net profit for 1999 before the provision for CTHK's analog mobile telecommunications assets totaled RMB 10.320 billion (HK\$9.690 billion), representing an increase of 45.60 per cent over the previous year, and earnings per share were RMB 0.86 (HK\$0.81).

In light of CTHK's acquisition of Fujian Mobile, Henan Mobile, and Hainan Mobile, and considering the increased number of subsidiaries and enlarged scale of operations, the Board considers it necessary and desirable that CTHK retain sufficient available funds to support network development and integration and to continue to grow rapidly. In addition, at a time when mobile telecommunications technologies are developing apace, the Board considers it necessary and desirable that CTHK retain available capital for new investments and to develop wireless data applications and businesses in order to continue to enhance shareholder value. Accordingly, the Board of Directors does not recommend the payment of a dividend for the year ended 31 December 1999. In view of the limited remaining useful life of analog mobile telecommunications assets, the Board considers it is now the appropriate time for the Company to make provision for its analog equipment and believes that this will optimize the structure and enhance the quality of CTHK's assets and will facilitate the potential development of its mobile

data and mobile multimedia businesses, thereby enhancing the Company's operational and competitive flexibility.

As we enter the new millennium, the Y2K issues that required the Company's close attention have been successfully resolved according to plan. To date, CTHK has traversed all Y2K high-risk dates smoothly and safely.

Mr. Wang Xiaochu, Chairman of the Board of CTHK, has indicated that, according to the Company's estimate, the overall cellular penetration rate in mainland China was only about 3.4 per cent at the end of 1999. He also expressed his belief that mainland China is one of the world's most significant mobile telecommunications markets in terms of its growth potential, as well as his confidence in the Company's bright future. The Company will continue its development strategy that emphasizes both organic and external growth. To enhance external growth, the Company will continue exploring opportunities to acquire high-quality telecommunications assets in mainland China. To achieve organic growth, the Company will endeavor to apply management and operating standards consistent with best international practice in the telecommunications industry. The Company will seek to optimize operations in the six provinces with a view toward maximizing enterprise value. CTHK will continue enhancing its existing networks, while actively following the development of 2.5G and 3G mobile telecommunications technologies to prepare for the development and application of such technologies. At an appropriate time in the future, the Company plans to bring a panoply of services to the market and transform itself from a mobile telecommunications provider to a wireless multimedia services carrier. The Company will continue to promote professionalism, internationalization and localization, seek to encourage individual initiative on the part of each employee, and endeavor to build a truly world-class telecommunications company.

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\* CTHK's current structure was established in November 1999 following the completion of its acquisition of Fujian Mobile, Henan Mobile, and Hainan Mobile. For ease of comparison, the pro forma combined results of operations described herein assume that the current Group structure existed during all periods discussed.

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