

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

China Mobile (Hong Kong) Limited will become the first overseas listed Chinese telecommunications operator providing telecommunications services in all 31 provinces of Mainland China

- China Mobile (Hong Kong) agrees to acquire 10 provincial mobile telecommunications companies and other assets for an enterprise value of US\$4.119 billion (HK\$32.122 billion)

- The enterprise value of the Target Companies is US\$4.119 billion (approximately HK\$32.122 billion), while the consideration for the acquisition is US\$3.650 billion (approximately HK\$ 28.468 billion).
- Upon the completion of the acquisition, an equivalent of US\$2.0 billion (approximately HK\$15.599 billion) will be paid in cash to the Parent from CMHK's internal cash resources. Payment of the balance, amounting to US\$1.650 billion (approximately HK\$12.869 billion), will be structured as a 15-year deferred consideration.
- As of December 31, 2003, the total number of subscribers of the Target Companies was 24.50 million, and the mobile penetration rate in these 10 provinces was 16.8%, reflecting significant growth potential.
- Upon the completion of the acquisition, CMHK will have 166 million subscribers (as of 2003 year-end pro-forma combined number), and its service region will cover all 31 provinces in Mainland China.

China Mobile (Hong Kong) Limited ("Company" or "CMHK") announced today that it has signed a conditional sale and purchase agreement to acquire 100% equity interests in Neimenggu, Jilin, Heilongjiang, Guizhou, Yunnan, Xizang, Gansu, Qinghai, Ningxia and Xinjiang Mobile Communication Company Limited, China Mobile Communication Company Limited ("CMC") and Jingyi Design Institute (collectively the "Target Companies") from China Mobile Hong Kong (BVI) Limited (the "Parent"), CMHK's immediate controlling shareholder.

The enterprise value of the Target Companies is US\$4.119 billion (approximately HK\$32.122 billion). Taking into account the net indebtedness of the Target Companies, which amounted to US\$469 million (approximately HK\$3,654 million) as of December 31, 2003 that will also be assumed by CMHK, CMHK will pay a total consideration of US\$3.650 billion (approximately HK\$28.468 billion).

The 10 mobile communication companies within the Target Companies are the leading mobile services providers in each of their respective service regions. As of December 31, 2003, the Target Companies had a total of 24.50 million subscribers with an average market share of approximately 64.3% and an average mobile penetration rate of 16.8% in their service regions. This mobile penetration rate is still low compared with those of more mature

international markets, reflecting significant growth potential for the Target Companies.

Under Hong Kong GAAP, the Target Companies' forecast combined 2004 EBITDA is unlikely to be less than RMB11.971 billion, while their forecast combined 2004 net profit is unlikely to be less than RMB3.117 billion. Accordingly, based on such forecasts, the acquisition valuation represents an enterprise value of approximately 2.85 times 2004 EBITDA and a consideration of approximately 9.69 times 2004 net profit.

Mr. Wang Xiaochu, Chairman and Chief Executive Officer, is very pleased with this proposed acquisition and said, "Upon the completion of the acquisition, CMHK's service areas will expand to all 31 provinces in Mainland China with a combined population of about 1.3 billion. This proposed acquisition will further strengthen our position as the world's largest mobile operator in terms of number of subscribers, providing a good opportunity for us to further realize economies of scale, enhance our financial strength and shareholder value. We believe that the valuation of the Target Companies and the financing arrangements for this acquisition are attractive, and that this transaction will be accretive to our 2004 earnings per share. It also reflects the company's relentless efforts to maximize shareholder value. Upon the completion of this acquisition, CMHK will become the first overseas listed Chinese telecommunications operator providing telecommunications services in all 31 provinces of Mainland China. We are confident that we will become a world-class wireless multi-media services provider."

Of the total purchase price, CMHK will pay the equivalent of US\$2.0 billion (approximately HK\$15.599 billion) in cash to the Parent upon the completion of the acquisition. The payment of the balance, amounting to US\$1.650 billion (approximately HK\$12.869 billion), will be structured as a deferred consideration. CMHK intends to finance the initial consideration from its existing internal cash resources. The deferred consideration is payable 15 years after completion of the acquisition. However, CMHK may repay earlier part or all of the deferred consideration without prepayment penalty.

The completion of the acquisition is conditional upon, among other things, the approval of CMHK's independent shareholders. CMHK plans to convene an Extraordinary General Meeting on June 16, 2004 for this purpose.

China International Capital Corporation (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C. and UBS Investment Bank are the financial advisors to CMHK. N. M. Rothschild & Sons (Hong Kong) Limited is the Independent Financial Advisor to the Independent Board Committee.

- End -

This announcement is not an offer of any securities for sale in the United States or elsewhere. Securities may not be offered or sold in the United States absent registration with the United States Securities and Exchange Commission or an exemption from such registration. Any public offering of securities to be made in the United States or elsewhere will be made by means of a prospectus.

For inquiry:

China Mobile (Hong Kong) Limited

Mr. Jacky Yung, Mr. Guan Yimin or Ms. Rainie Lei

Tel : 852 3121 8888

Fax: 852 3121 8809

BACK

