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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 THE TARGET ASSETS AND BUSINESSES FROM**  
**CHINA TIETONG TELECOMMUNICATIONS CORPORATION**

**Financial Adviser to China Mobile Limited**



**THE ACQUISITION**

On 27 November 2015, CM TieTong (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with TieTong (a wholly-owned subsidiary of CMCC), under which CM TieTong has agreed to acquire, and TieTong has agreed to sell, the Target Assets and Businesses. The Consideration for the Acquisition is RMB31.88 billion (equivalent to approximately HK\$38.67 billion) and is subject to the Price Adjustment Mechanism described in the Acquisition Agreement. In addition, CM TieTong will also assume Net Debt of approximately RMB2.34 billion (equivalent to approximately HK\$2.84 billion). The Price Adjustment Amount will not exceed RMB1 billion (equivalent to approximately HK\$1.21 billion). The final consideration will not exceed RMB32.88 billion (equivalent to approximately HK\$39.88 billion). The Consideration will be paid by CM TieTong to TieTong on the Completion Date. The Price Adjustment Amount will be paid by CM TieTong to TieTong within 15 working days after the independent auditor has submitted the audit report in relation to the Target Assets and Businesses as at the Completion Date. The payment of the Consideration and the Price Adjustment Amount will be funded by the Group's internal resources.

## **LISTING RULES IMPLICATIONS**

TieTong is currently a wholly-owned subsidiary of CMCC, the ultimate controlling shareholder of the Company. Thereby, TieTong is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the entering into the Acquisition Agreement by CM TieTong and the Acquisition itself constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As at least one relevant percentage ratio applicable to the Acquisition is or exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**WARNING: The completion of the Acquisition is subject to the satisfaction (or, if applicable, waiver) of certain conditions set forth in the section headed "Conditions Precedent" in this announcement, and hence the completion of the Acquisition may or may not happen. Shareholders, holders of ADSs and potential investors of the Company should therefore exercise caution when dealing in the Shares, ADSs or other securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **INTRODUCTION**

On 27 November 2015, CM TieTong (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with TieTong (a wholly-owned subsidiary of CMCC), under which CM TieTong has agreed to acquire, and TieTong has agreed to sell, the Target Assets and Businesses.

## **THE ACQUISITION AGREEMENT**

### **Date**

27 November 2015

### **Parties**

Seller: TieTong

Purchaser: CM TieTong

## **Subject of the Acquisition**

Pursuant to the Acquisition Agreement, CM TieTong has agreed to acquire, and TieTong has agreed to sell, the Target Assets and Businesses. TieTong is a wholly-owned subsidiary of CMCC with thirty-one branches in all thirty-one provinces, autonomous regions and directly-administered municipalities and has engaged in fixed-line telecommunications operations. TieTong has an extensive nationwide backbone network, metro fibre, IPv4 addresses, and real property interests and land assets in thirty-one provinces, autonomous regions and directly-administered municipalities. It also has over 10 million fixed broadband and fixed line customers respectively as well as employees with substantial experience within the fixed line industry. Please refer to the section titled “FURTHER INFORMATION ON THE TARGET ASSETS AND BUSINESSES” in this announcement for further details.

## **Consideration, Consideration Payment Terms and Assumption of Net Debt**

The consideration for the Acquisition is RMB31.88 billion (equivalent to approximately HK\$38.67 billion) (the “**Consideration**”) and is subject to the Price Adjustment Mechanism described in the Acquisition Agreement. In addition, CM TieTong will also assume Net Debt of approximately RMB2.34 billion (equivalent to approximately HK\$2.84 billion).

The Consideration and the Price Adjustment Mechanism were arrived at after arm’s length negotiations between the parties and are on normal commercial terms, with reference to various factors including, but not limited to, a valuation range determined using a number of generally accepted industry valuation methodologies and conventions, the audited value of the Target Assets and Businesses, the appraised value of the Target Assets and Businesses (based on a report produced by an independent appraiser commissioned by TieTong), the potential synergies as a result of the Acquisition, the prevailing business conditions and growth prospects of the Target Assets and Businesses, standard commercial terms, and other considerations such as those that arise during the normal course of negotiations.

The Consideration will be adjusted in accordance with the Price Adjustment Mechanism. The adjustment to the Consideration is primarily driven by the impact of the changes in working capital, capital expenditure, depreciation and liabilities etc. of the Target Assets and Businesses on its audited book value of the net assets during the Relevant Period. CM TieTong and TieTong agreed that the Price Adjustment Amount will not exceed RMB1 billion (equivalent to approximately HK\$1.21 billion). The final consideration will not exceed RMB32.88 billion (equivalent to approximately HK\$39.88 billion).

The Consideration will be paid by CM TieTong to TieTong on the Completion Date. The Price Adjustment Amount will be paid by CM TieTong to TieTong within 15 working days after the independent auditor has submitted the audit report in relation to the Target Assets and Businesses as at the Completion Date. The payment of the Consideration and the Price Adjustment Amount will be funded by the Group’s internal resources.

## **Conditions Precedent**

The completion of the Acquisition is subject to the satisfaction of the following conditions:

- (1) the Acquisition Agreement becoming effective;
- (2) all the representations and warranties provided by TieTong pursuant to the Acquisition Agreement on the date of the Acquisition Agreement remain true, accurate, intact and in all material respects do not mislead, be deceptive or have omissions as at the Completion Date;
- (3) TieTong has performed and complied with all of the obligations, agreements and conditions which it had agreed to perform or comply with prior to the Completion Date under the Acquisition Agreement;
- (4) there has been no material adverse change with respect to the condition of the Target Assets and Businesses;
- (5) the transactions contemplated under the Acquisition Agreement have been approved by the board of directors and shareholders of TieTong in accordance with the constitutional documents of TieTong and all applicable laws and regulations;
- (6) the transactions contemplated under the Acquisition Agreement have been approved by the board of directors and shareholders of CM TieTong in accordance with the constitutional documents of CM TieTong and all applicable laws and regulations; and the Company has obtained the necessary approvals in respect of the transactions contemplated under the Acquisition Agreement pursuant to its constitutional documents, all applicable laws and regulations and the Listing Rules; and
- (7) the necessary approvals, permits or authorisations from government authorities in relation to the Acquisition have been obtained.

CM TieTong and TieTong have agreed to use their reasonable endeavors to fulfil all of the above conditions as soon as practicable before 31 December 2015. If any of the above conditions have not been fulfilled before 31 December 2015, CM TieTong and TieTong may (subject to practical feasibility) agree in writing to (a) agree to proceed with the completion on another date, or (b) waive the satisfaction of such condition(s). Any conditions being waived pursuant to the Acquisition Agreement shall be regarded as being fulfilled.

## **Completion**

Subject to the satisfaction (or, if applicable, the waiver) of the conditions set out above, the completion of the Acquisition is expected to take place on 31 December 2015. In the event that any of the conditions as set out above are not satisfied (or, if applicable, waived) before 31 December 2015, CM TieTong and TieTong shall negotiate in good faith and agree on another Completion Date.

From the Completion Date onwards, CM TieTong will become the lawful owner of the Target Assets and Businesses. Unless agreed otherwise between the parties, TieTong shall be entitled to all rights and interests and be responsible for all obligations and liabilities of the Target Assets and Businesses accrued before the Completion Date and all rights, interests, obligations and liabilities of the Target Assets and Businesses accrued after the Completion Date shall rest with CM TieTong.

Within 90 days from the Completion Date, the parties shall complete the transfer of the Target Assets and Businesses in accordance with the completion proposal agreed between the parties. The Target Assets and Businesses shall be transferred by TieTong to CM TieTong or its designated transferee(s) in accordance with the agreed completion proposal.

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

The Board believes that the Acquisition would be beneficial to the Group's development due to the following reasons:

- (1) the Acquisition will be important in facilitating and accelerating the transformation of the Company into a fully integrated fixed-mobile operator in order to enhance the competitive strength to better compete against integrated peers in the data heavy and bundled services age;
- (2) it will enable the Company to obtain a fixed broadband license and provide an opportunity for the Company to grasp the opportunities in the fixed broadband market, accelerate the growth potential of the smart home and benefit from the expected growth of the PRC fixed broadband market;
- (3) it is expected to expand the Company's customer base rapidly, enabling the provision of bundled services to reduce churn rates as well as improve user loyalty and revenue;
- (4) it will provide the Company immediate scale through complementary network assets (extensive metro fibre network, backbone network and IPv4 addresses etc.) to increase the Company's fixed network capacity, coverage and efficiency through an integrated network;
- (5) through the Acquisition, the Company will obtain employees with extensive experience and expertise in the management and maintenance of fixed networks; and
- (6) overall, the Acquisition will greatly reduce the continuing connected transactions between the Company and CMCC (via TieTong) and simplify its management and operating structure. Please refer to the announcement entitled "Changes to Continuing Connected Transactions" published by the Company on 27 November 2015 for further details.

## FURTHER INFORMATION ON THE TARGET ASSETS AND BUSINESSES

The predecessor of TieTong is Railway Communications and Information Limited Liability Co. (鐵道通信信息有限責任公司), a state-owned large scale basic telecommunications operator founded in December 2000. In 2008, TieTong merged into CMCC and became a wholly-owned subsidiary of CMCC which operates relatively independently with thirty-one branches in all thirty-one provinces, autonomous regions and directly-administered municipalities.

Pursuant to the terms of the Acquisition Agreement, CM TieTong shall acquire from TieTong certain assets, businesses and related liabilities as well as its related employees. The assets and businesses to be acquired include approximately 99,000 cable kilometres of nationwide backbone network, approximately 1,822,000 cable kilometres of metro fibre, approximately 24.71 million IPv4 addresses, 1,814 real property and 685 land assets, approximately 11.98 million fixed broadband customers and approximately 18.29 million fixed line customers (including 13.88 million traditional fixed line customers). In addition, TieTong had approximately 47,000 employees with substantial experience within the fixed line industry. Certain assets of TieTong which are not in compliance with the relevant regulations (e.g. land and properties with unclear titles) will not be acquired and will instead be leased in the future by the Group if and when needed. As such, adjustments will be made in respect of the transactions between the Group and CMCC and its subsidiaries contemplated under the 2014-2016 Property Leasing Agreement. As at the Valuation Date, in relation to the Target Assets and Businesses to be acquired by CM TieTong, the book value of the total assets was approximately RMB53.10 billion (equivalent to approximately HK\$64.41 billion), comprising total liabilities of approximately RMB23.14 billion (equivalent to approximately HK\$28.07 billion), of which net debts amounted to approximately RMB2.34 billion (equivalent to approximately HK\$2.84 billion) and net assets of approximately RMB29.96 billion (equivalent to approximately HK\$36.34 billion).

The following table sets out certain historical financial information of the Target Assets and Businesses.

|  | For the year ended<br>31 December 2013 |            | For the year ended<br>31 December 2014 <sup>(Note 3)</sup> |            | For the five months ended<br>31 May 2015 |            |
|--|--|------------|--|------------|--|------------|
|  | HK\$ Million                           |            | HK\$ Million   |            | HK\$ Million                             |            |
|  | RMB Million                            | Equivalent | RMB Million  | Equivalent | RMB Million                              | Equivalent |
| Revenue <sup>(Note 1)</sup>                          | 21,331                                 | 25,873     | 23,343   | 28,314     | 9,344                                    | 11,334     |
| Profit/(Loss) before taxation <sup>(Note 1)</sup>    | (4,735)                                | (5,743)    | 28   | 34         | 37                                       | 45         |
| Net profit/(Loss) after taxation <sup>(Note 1)</sup> | (4,748)                                | (5,759)    | 10   | 12         | 33                                       | 40         |
| Net assets as at the Valuation Date                  |  |            |  |            | 29,959                                   | 36,339     |
| EBITDA <sup>(Note 2)</sup>                           | 5,890                                  | 7,144      | 7,034  | 8,532      | 3,130                                    | 3,797      |

*Notes:*

1. Such financial information is prepared in accordance with China Accounting Standards for Business Enterprises (2006).
2. The Company defines EBITDA as profit for the period before taxation, associates' shares of profits, finance costs, interest income, non-operating income (net), depreciation and amortization of other assets, impairment loss of assets.
3. From 1 June 2014 onwards, TieTong's telecommunications businesses in the PRC shifted from a business tax regime to a value-added tax regime and such businesses are subject to value-added tax. Prior to this, the relevant telecommunications businesses were subjected to business tax. The change in the tax regime has certain adverse impacts on the revenues and profits for 2014 and 2015.

## **LISTING RULES IMPLICATIONS**

TieTong is currently a wholly-owned subsidiary of CMCC, the ultimate controlling shareholder of the Company. Thereby, TieTong is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the entering into the Acquisition Agreement by CM TieTong and the Acquisition itself constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As at least one relevant percentage ratio applicable to the Acquisition is or exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the executive Directors also hold executive positions at CMCC, all the executive Directors have therefore voluntarily abstained from voting on the board resolution approving the transactions under the Acquisition Agreement.

The Board (including the independent non-executive Directors) is of the view that the Acquisition Agreement was reached after arm's length negotiations among the parties thereto, reflects normal commercial terms and that the terms of the transactions thereunder and the final Consideration payable by CM TieTong in relation to the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **GENERAL INFORMATION**

TieTong is a wholly-owned subsidiary of CMCC and has engaged in fixed-line telecommunications operations. CMCC is a state-owned company established under the laws of the PRC and the ultimate controlling shareholder of the Company holding indirectly approximately 72.7% 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.

CM TieTong is a wholly-owned subsidiary established by the Company for the purpose of the Acquisition. The Group is the leading provider of mobile telecommunications services in the PRC, and operates nationwide mobile telecommunications networks in all thirty-one provinces, autonomous regions and directly-administered municipalities in Mainland China as well as Hong Kong. The Company is an investment holding company.

This announcement contains translations between Renminbi and Hong Kong dollars at RMB0.82444 = 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.

**WARNING: The completion of the Acquisition is subject to the satisfaction (or, if applicable, waiver) of certain conditions set forth in the section headed “Conditions Precedent” in this announcement, and hence the completion of the Acquisition may or may not happen. Shareholders, holders of ADSs and potential investors of the Company should therefore exercise caution when dealing in the Shares, ADSs or other securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## DEFINITIONS

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

|  |   |
|--|---|
| “2014–2016 Property Leasing Agreement” | the 2014–2016 property leasing and management services agreement dated 15 August 2013 and entered into between the Company and CMCC   |
| “Acquisition”                          | the acquisition by CM TieTong of the Target Assets and Businesses from TieTong  |
| “Acquisition Agreement”                | the agreement dated 27 November 2015 entered into between CM TieTong and TieTong pursuant to which CM TieTong has agreed to acquire, and TieTong has agreed to sell, the Target Assets and Businesses |
| “ADSs”                                 | the Company’s American Depositary Shares which are issued by traded on the New York Stock Exchange  |
| “Board”                                | the Board of Directors of the Company   |
| “CM TieTong”                           | China Mobile TieTong Company Limited* (中移鐵通有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company  |
| “CMCC”                                 | China Mobile Communications Corporation (中國移動通信集團公司), a state-owned enterprise established under the laws of the PRC and 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 and ADSs are listed on the New York Stock Exchange  |

|                              |  |
|------------------------------|--|
| “Completion Date”            | 31 December 2015 or such other date as agreed between CM TieTong and TieTong   |
| “connected person”           | has the meaning ascribed to such term in the Listing Rules   |
| “Consideration”              | has the meaning ascribed to such term in the section headed “Consideration, Consideration Payment Terms and Assumption of Net Debt” in this announcement   |
| “Directors”                  | the directors of the Company   |
| “Group”                      | the Company and its subsidiaries   |
| “HK\$”                       | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                  | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Listing Rules”              | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Net Debt”                   | the net debt associated with the Target Assets and Businesses as at the Valuation Date   |
| “percentage ratio”           | has the meaning ascribed to such term in Chapter 14 of the Listing Rules   |
| “PRC” or “China”             | the People’s Republic of China (for the purpose of this announcement only, which excludes Hong Kong, the Macau Special Administration Region and Taiwan)   |
| “Price Adjustment Amount”    | the amount of adjustment to the Consideration calculated by the Price Adjustment Mechanism. Pursuant to the Acquisition Agreement, such amount will not be more than RMB1 billion (equivalent to approximately HK\$1.21 billion) |
| “Price Adjustment Mechanism” | the mechanism adopted by the parties to the Acquisition Agreement to adjust the Consideration pursuant to the terms of the Acquisition Agreement   |
| “Relevant Period”            | the period commencing on the Valuation Date and ending on the Completion Date  |
| “RMB”                        | Renminbi, the lawful currency of the PRC   |
| “Shareholders”               | holders of the Shares  |

|                                |  |
|--------------------------------|--|
| “Shares”                       | ordinary shares of the Company   |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited  |
| “Target Assets and Businesses” | certain assets, businesses and related liabilities and employees of TieTong. Please refer to the section headed “FURTHER INFORMATION ON THE TARGET ASSETS AND BUSINESSES” in this announcement for further details |
| “TieTong”                      | China TieTong Telecommunications Corporation, a company established under the laws of the PRC and a wholly-owned subsidiary of CMCC  |
| “Valuation Date”               | 31 May 2015  |
| “%”                            | per cent   |

\* *for identification purposes only*

By Order of the Board  
**China Mobile Limited**  
**Shang Bing**  
*Chairman*

Hong Kong, 27 November 2015

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Shang Bing, Mr. Li Yue, Mr. Xue Taohai, Mr. Sha Yuejia and Mr. Liu Aili as executive directors and Dr. Lo Ka Shui, Mr. Frank Wong Kwong Shing, Dr. Moses Cheng Mo Chi and Mr. Paul Chow Man Yiu as independent non-executive directors.*