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## **CHINA RESOURCES PEOPLES TELEPHONE COMPANY LIMITED**

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

(Stock Code: 331)

### **ANNOUNCEMENT**

The directors of China Resources Peoples Telephone Company Limited (the “**Company**”) note the recent increases in the share price and trading volume of the shares of the Company (the “**Shares**”) and wish to state that, save as set out below, they are not aware of any reasons for such movements.

The board of directors (the “**Board**”) of the Company has been informed by China Resources (Holdings) Company Limited (“**CRH**”) and Mr. Leung Kai Hung, Michael (an executive director of the Company) and Onwel Capital Company Limited (together, the “**Michael Leung Parties**”) that they have entered into a non-binding memorandum of understanding with China Mobile (Hong Kong) Limited (“**CM**”), a company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), on 4 October 2005, in connection with a possible disposal of their shareholdings in the Company.

The non-binding memorandum of understanding envisages that, if an offer is made, CM intends to make a voluntary conditional general offer for all of the outstanding shares of the Company and that CRH and the Michael Leung Parties will sign irrevocable letters of undertaking to accept such offer in respect of their shareholdings at the offer price of HK\$4.55 per share. **The Board understands that discussions are at a preliminary stage and no binding terms have been agreed. It is not possible to give any assurances that CM will make a voluntary offer for the Company. Shareholders and potential investors in the Company are therefore advised to exercise caution in dealing in the Shares.**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 October 2005 pending the release of this announcement. Application has been made for the resumption of trading with effect from 9:30 a.m. on 5 October 2005.

The directors of the Company note the recent increases in the share price and trading volume of the Shares and wish to state that, save as disclosed below, they are not aware of any reasons for such increases.

The Board has been informed by CRH and the Michael Leung Parties that they have entered into a non-binding memorandum of understanding with CM a company listed on the Stock Exchange, on 4 October 2005 in connection with a possible disposal of their shareholdings in the Company. CRH is the controlling shareholder of the Company holding approximately 48.00% of the issued Shares. The Michael Leung Parties hold approximately 18.54% of the issued Shares (including options to acquire 4,500,000 Shares under the Company's employee share option scheme). Mr. Leung Kai Hung, Michael is an executive director of the Company. The Board understands that discussions are at a preliminary stage and no binding terms have been agreed.

The non-binding memorandum of understanding envisages that, if an offer is made, CM intends to make, indirectly or directly, a voluntary conditional general offer for all of the outstanding shares of the Company and that CRH and the Michael Leung Parties will sign irrevocable letters of undertaking to accept such offer in respect of their shareholdings at the offer price of HK\$4.55 per Share. **It is not possible to give any assurances that CM will make a voluntary offer for the Company. Shareholders and potential investors in the Company are therefore advised to exercise caution in dealing in the Shares.**

The non-binding memorandum of understanding contains the following provisions:

- (1) the making of a voluntary offer for the Company will be subject to obtaining the approval of CM's board of directors;
- (2) any offer for the Company that may be made by CM would be conditional upon CM having received acceptances in respect of shares in the Company which, together with shares acquired or agreed to be acquired before or during the offer, will result in CM and any parties acting in concert with it holding more than 90% of the issued shares of the Company. None of CRH or the Michael Leung Parties are acting in concert with CM and, accordingly, acceptances of any offer made by CM for their Shares would be taken into account when calculating the 90% acceptance condition (such that, if an offer is made, CM can privatise the Company if the 90% acceptance condition is fulfilled, but that it will retain the discretion to waive this condition, in which case the Company would not be privatised);
- (3) CM will have an exclusive right to negotiate the proposed transaction with CRH and the Michael Leung Parties for a period of 14 days from the date of the memorandum of understanding; and
- (4) if the transaction proceeds, CM's intention is to have the Company's senior management team to continue to manage the Company after completion of the offer.

Other than employee share options, the relevant securities of the Company in issue comprise 743,641,019 Shares. Details of the share options issued under the Company's employee share option scheme will be disclosed in a subsequent announcement.

In accordance with the Rule 3.8 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"), associates of CM, the Company and CRH are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code.

The Executive (meaning the Executive Director of the Corporate Finance Division of the Hong Kong Securities and Futures Commission or any of his delegates) takes the view that, if an offer for the Shares is made by CM pursuant to the memorandum of understanding, CM will have to make the offer in cash at HK\$4.55 per Share.

Further announcements will be made by the Company when appropriate and in compliance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Takeovers Code.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 October 2005 pending the release of this announcement. Application has been made for the resumption of trading with effect from 9:30 a.m. on 5 October 2005.

Save as disclosed above, the Board confirms that the Board is not aware of any matters discloseable under Rule 13.23 of the Listing Rules, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price sensitive nature.

By Order of the Board  
**China Resources Peoples Telephone Company Limited**  
**Kong Kin Sing, James**  
*Company Secretary*

Hong Kong, 4 October 2005

*As at the date of this announcement, the Board of Directors comprises:*

*Chairman & Non-executive Director:*

Mr. Jiang Wei

*Executive Vice Chairman & Executive Director:*

Mr. Leung Kai Hung, Michael

*Executive Directors:*

Mr. Henshaw Charles Guy (*Chief Executive Officer*)

Mr. Wong Man Kwan, Willie

Ms. Wong Leung Ka On, Charlotte

*Non-executive Directors:*

Dr. Huang Zhi Jian

Mr. Li Fu Zuo

Mr. Sinn Chung Ming, Anthony

Mr. Wu Jun

Mr. Yan Biao

*Independent Non-executive Directors:*

Professor Chen Kwan Yiu, Edward

Mr. Lam Kwong Yu

Mr. Ma Chiu Cheung, Andrew

Mr. Tan Henry

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement have been arrived at after due and careful consideration, and that there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

Please also refer to the published version of this announcement in The Standard.