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China Mobile (Hong Kong) Limited Agrees to Acquire Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile for an enterprise value of US\$10.200 billion (HK\$79.556 billion)

China Mobile (Hong Kong) Limited ("CMHK" or "Company") announced today that it has signed a conditional sale and purchase agreement to acquire a 100% equity interest in Anhui Mobile Communication Company Limited, Jiangxi Mobile Communication Company Limited, Chongqing Mobile Communication Company Limited, Sichuan Mobile Communication Company Limited, Hubei Mobile Communication Company Limited, Hunan Mobile Communication Company Limited, Shaanxi Mobile Communication Company Limited and Shanxi Mobile Communication Company Limited from China Mobile Hong Kong (BVI) Limited, CMHK's controlling shareholder.

CMHK will pay a total consideration of US\$8.573 billion (approximately HK\$66.863 billion) to acquire the entire equity interest in each of these eight mobile communications companies, and will assume the total net debt (long term and short term bank loans and other borrowings less cash and cash equivalents) of these eight companies. As of December 31, 2001, these companies had a total net debt of RMB13.467 billion (approximately US\$1.627 billion). Taking into account the above net indebtedness and the total purchase price of the acquisition, the enterprise value of the eight target companies is US\$10.200 billion (approximately HK\$79.556 billion).

CMHK also announced today that CMHK and Vodafone Group Plc ("Vodafone") have entered into a Subscription Agreement pursuant to which Vodafone agreed to subscribe CMHK ordinary shares for a total consideration of HK\$5,850 million (US\$ 750 million). The proceeds from the issue of such shares will be used to finance part of the cash portion of the acquisition consideration.

Anhui Mobile, Jiangxi Mobile, Chongqing Mobile, Sichuan Mobile, Hubei Mobile, Hunan Mobile, Shaanxi Mobile and Shanxi Mobile currently operate GSM cellular networks, and are the leading mobile telecommunication service providers in each of their respective service areas. As of December 31, 2001, the target companies had a total number of subscribers of 20.93 million with an average market share of approximately 74%. Despite the large subscriber base and the substantial growth experienced by these mobile companies in recent years, the cellular penetration rates in the eight regions, averaging 6.8% as of December 31, 2001, are still low compared to those of other more mature international markets and the more economically advanced coastal regions in Eastern China, reflecting substantial growth potential.

Based on the forecasts made by the management of CMHK and the eight target mobile communications companies, the target companies will have a total of approximately 28.65 million subscribers by the end of 2002. Based on the same forecasts, under Hong Kong GAAP, their combined 2002 EBITDA (operating profit before depreciation & amortization, interest income and expense, non-operating income and expense and tax) is unlikely to be less than RMB16,100 million (approximately US\$1,945 million), while their combined 2002 net profit is unlikely to be less than RMB5,600 million (approximately US\$677 million). Accordingly, based on such forecasts, the acquisition valuation represents approximately 5.2 times 2002 EBITDA and 12.7 times 2002 net profit.

China Mobile (Hong Kong) is very pleased with this proposed acquisition. Mr. Wang Xiaochu, Chairman and Chief Executive Officer, said, "this acquisition represents a further step in the implementation of our growth strategy to achieve nationwide dominance. The 8 targets of our pending acquisition are located in the central part of China. These areas are entering a stage of very rapid economic growth. Upon the completion of the acquisition, CMHK's service area will cover a population exceeding 1 billion, thus providing significant growth potential for the future development of mobile businesses. I am very pleased to announce here that, as at 20th April 2002, our total combined number of subscribers in the 13 operating subsidiaries and the 8 target companies exceeded 100 million, a number far higher than that of any other operator of a contiguous mobile network anywhere in the world. This provides a tremendous opportunity for us to further realize economies of scale and maximize enterprise value. At the same time, we believe that now is an ideal time to acquire mobile assets. The valuation of the target companies to be acquired is very attractive given the quality of these assets. Together with our prudent financing arrangement, this transaction will be accretive to our 2002 earnings per share and is another demonstration of our commitment to maximizing shareholder value."

Chairman Wang further stated, "since the signing of the Strategic Alliance Agreement between the Company and Vodafone in February 2001, the parties have co-operated in good faith and have had practical exchanges at various operational levels. Vodafone's subscription to the new shares of the Company issued in conjunction with the acquisition further demonstrates the commitment of the two largest mobile communications companies in the world to maintain a close, long-term relationship as co-operative strategic partners and is another major step forward on the path of exploring together the world of mobile communications."

Of the total purchase price, CMHK will pay to China Mobile Hong Kong (BVI) Limited upon completion of the Acquisition, the equivalent of US\$3.150 billion (approximately HK\$24.568 billion) in cash and US\$2.623 billion (approximately HK\$20.458 billion) in the form of consideration shares as the initial payment, for an initial consideration totaling US\$5.773 billion (approximately HK\$45.025 billion). Payment for the balance, amounting to US\$2.800 billion (approximately HK\$21.838 billion) will be structured as a deferred consideration.

The deferred consideration is payable 15 years after the completion of the acquisition. However, CMHK may repay part or all of the deferred payment amount earlier. In addition, CMHK has committed to its parent company that it will, if market conditions permit and all necessary regulatory and government approvals are obtained, make all reasonable efforts to issue Renminbi-denominated bonds and Chinese Depositary Receipts, and has agreed to use the net proceeds from such issuances for the early repayment of the deferred consideration.

CMHK intends to finance the cash portion of the initial consideration by using (1) approximately US\$2.400 billion from its existing internal cash resources; and (2) the proceeds from the share placement to Vodafone. The issue price to both the controlling shareholder and Vodafone is at HK\$24.72 per share, which equals the average closing price of CMHK's shares for the 30 trading days immediately preceding the signing of the sale and purchase agreement and the Vodafone subscription agreement. The final issue price will be subject to adjustment if the simple arithmetic average of the volume-weighted average prices of CMHK's shares for the 10 consecutive trading days immediately following the date of this announcement ("Average Price") is either higher than HK\$28.43 per share or lower than HK\$21.01 per share (#1).

#1 If Average Price is higher than HK\$28.43 per share, the final issue price will be increased by 50% of the difference between Average Price and HK\$28.43. If Average Price is lower than HK\$21.01 per share, the final issue price will be decreased by 50% of the difference between Average Price and HK\$21.01. The

actual number of shares issued to CMBVI and Vodafone depends on the final issue price.

Completion of this acquisition is conditional upon, among other things, obtaining the approval of CMHK's independent shareholders and of the relevant government departments. CMHK plans to convene an Extraordinary General Meeting of shareholders on June 24 and the acquisition is expected to close soon after the shareholders' approval is obtained.

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

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