Hutchison Whampoa Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 13)

OVERSEAS REGULATORY ANNOUNCEMENT

Attached are the text of the notice of extraordinary general meeting plus explanatory memorandum and independent expert's report and proxy form of Hutchison Telecommunications (Australia) Limited, an Australian Securities Exchange listed and a 52.03% owned subsidiary of Hutchison Whampoa Limited.

As at the date of the announcement, the Directors of Hutchison Whampoa Limited are:

Executive Directors:
Mr LI Ka-shing *(Chairman)*
Mr LI Tzar Kuoi, Victor *(Deputy Chairman)*
Mr FOK Kin-ning, Canning
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
Mr KAM Hing Lam

Non-executive Directors:
Mr George Colin MAGNUS
Mr William SHURNIAK

Independent Non-executive Directors:
The Hon Sir Michael David KADOORIE
Mr Holger KLUGE
Mr William Elkin MOCATTA
(Alternate to The Hon Sir Michael David Kadoorie)
Mr OR Ching Fai, Raymond
Mr WONG Chung Hin

Hong Kong, 27 February 2009

Hutchison Telecommunications
(Australia) Limited
ABN 15 003 677 227

NOTICE OF EXTRAORDINARY GENERAL MEETING plus Explanatory Memorandum and Independent Expert's Report

For a meeting to be held on Thursday,
2 April 2009
at the Conference Centre,
Ground Floor, Building A,
207 Pacific Highway,
St Leonards, New South Wales
at 2.00pm

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Important notices

This is an important document. It contains the resolution that will be voted upon at the Extraordinary General Meeting (EGM) on Thursday 2 April 2009. The resolution relates to shareholders' approval that is required in respect of certain aspects of the joint venture regarding the telecommunications businesses of HTAL's subsidiary, Hutchison 3G Australia Pty Limited, and Vodafone Australia Limited.

You should read the Notice of EGM and the accompanying Explanatory Memorandum carefully before you decide whether and how to vote on the resolution set out in the Notice of EGM. If you are in doubt as to what you should do, please consult your investment, financial or other professional adviser.

All of the members of the HTAL Board consider that the joint venture is in the best interests of HTAL shareholders and unanimously recommend that HTAL shareholders vote in favour of the resolution (and the Directors intend voting any HTAL shares they own in favour of the resolution), subject to no superior proposal emerging.

In addition, the independent expert, Lonergan Edwards & Associates Limited, has concluded that the proposed transaction is fair and reasonable to the Non-Associated Shareholders of HTAL. The expert's report is set out in Annexure 1 of the Explanatory Memorandum and you are encouraged to read it in full.

If you are unable to vote in person at the EGM, please complete the enclosed proxy form and return it by 2:00pm (Sydney time) on Tuesday 31 March 2009 in accordance with the instructions in the Notice of EGM.

This Notice of EGM and accompanying Explanatory Memorandum is dated 26 February 2009.

Responsibility for information

Except as specified below, HTAL has provided, and is responsible for, all information in this Notice of EGM and the accompanying Explanatory Memorandum.

HWL has provided, and is responsible for, the statement in the letter to HTAL shareholders that "Vodafone, HWL and HTAL have given the undertakings as they want to ensure a stable shareholding structure for the combined businesses" insofar as that statement refers to HWL, and for the statement in respect of HCAPL's intentions regarding conversion of its Convertible Preference Shares in Section 2.7 of the Explanatory Memorandum. HTAL and its directors and officers do not assume responsibility for the accuracy or completeness of those statements.

Vodafone has provided, and is responsible for: (i) the statement in the letter to HTAL shareholders that "Vodafone, HWL and HTAL have given the undertakings as they want to ensure a stable shareholding structure for the combined businesses" insofar as that statement refers to Vodafone; (ii) the statement in the Notice of EGM which states that: "As at the date of this Notice of EGM, none of Vodafone or any of its subsidiaries hold any Ordinary Shares or otherwise have any relevant interests in Ordinary Shares or Convertible Preference Shares."; (iii) the information in Section 1 of the Explanatory Memorandum regarding Vodafone and Vodafone Australia; (iv) the financial information relating to Vodafone Australia contained in the pro forma balance sheet in Section 2.3 of the Explanatory Memorandum, which has been extracted from the audited 31 March 2008 financial statements of Vodafone Australia, but takes no responsibility for the preparation of that pro forma balance sheet or any of the commentary on it in Section 2.3 nor the notes relating to the pro forma balance sheet; and (v) the information in Section 5(e) of the Explanatory Memorandum regarding the intentions of the Vodafone HoldCos. HTAL and its directors and officers do not assume responsibility for the accuracy or completeness of the foregoing information provided by Vodafone.

None of Vodafone nor any of its subsidiaries, including the Vodafone HoldCos and Vodafone Australia, nor any of their directors and officers, assume responsibility for the accuracy or completeness of the information provided by HTAL in this Notice of EGM and the accompanying Explanatory Memorandum.

Lonergan Edwards & Associates Limited has prepared and is responsible for the Independent Expert's Report and HTAL and its directors and officers do not assume responsibility for the accuracy or completeness of the Independent Expert's Report, subject to the qualifications contained in that report.

Hutchison Telecommunications
(Australia) Limited
ABN 15 003 677 227
A member of the Hutchison Telecommunications Group
Building A, 207 Pacific Highway
St Leonards NSW 2065
Tel:(02) 9964 4646
Fax:(02) 9964 4811
www.hutchison.com.au

26 February 2009

Dear Shareholder,

On 9 February 2009, Hutchison Telecommunications (Australia) Limited (***HTAL***) announced that it had entered into an arrangement with Vodafone Group Plc (***Vodafone***) to combine the Australian telecommunications operations of its subsidiary, Hutchison 3G Australia Pty Limited (***H3GA***), and Vodafone Australia Limited (***Vodafone Australia***).

Under the arrangement, Hutchison 3G Australia Holdings Pty Limited (***H3GAH***) will enter into a joint venture with subsidiaries of Vodafone (the ***Vodafone HoldCos***), to own H3GA on a 50/50 basis, with Vodafone Australia becoming a wholly-owned subsidiary of H3GA (the ***Proposed Joint Venture***).

The Proposed Joint Venture will not come into effect until certain conditions are satisfied, including the passing of the Resolution by HTAL shareholders. If the Proposed Joint Venture is implemented, H3GA will be re-named VHA Pty Limited.

The Directors of HTAL consider that the Proposed Joint Venture will create a stronger mobile operator better positioned to compete in the Australian telecommunications market along with other benefits as set out in Section 2 of the Explanatory Memorandum which accompanies the Notice of EGM.

In order to implement the Proposed Joint Venture, the Directors of HTAL have called an Extraordinary General Meeting at which you are being asked to vote on a resolution to approve the acquisition by Vodafone of a relevant interest in HTAL ordinary shares (***Ordinary Shares***). This relevant interest arises from, among other things, an undertaking being given by Hutchison Whampoa Limited (***HWL***) (the majority shareholder of HTAL) to Vodafone under an Implementation Agreement, and following implementation of the Proposed Joint Venture, under a Shareholders Agreement, that limits HWL's ability to dispose of its Ordinary Shares for an agreed period and thereafter subject to certain restrictions (***Disposal Restrictions***). Vodafone has given a broadly parallel undertaking in relation to shares in the Vodafone HoldCos, for the benefit of HWL and HTAL. HTAL has also given undertakings restricting the disposal of H3GA shares and the issue of HTAL ordinary shares. Vodafone, HWL and HTAL have given the undertakings as they want to ensure a stable shareholding structure for the combined businesses.

The Disposal Restrictions are given in the context of the Proposed Joint Venture that is expected to bring significant benefits to HTAL through its 50% ownership in the combined businesses.

The Explanatory Memorandum explains the Proposed Joint Venture and the nature of the Disposal Restrictions and the reasons for giving them.

You are encouraged to read the Explanatory Memorandum in full. The meanings of capitalised words and expressions not defined in this letter are all contained in the Explanatory Memorandum.

If the Disposal Restrictions are not approved by the HTAL shareholders, the Proposed Joint Venture will not proceed and the potential benefits of the Proposed Joint Venture described in Section 2 of the Explanatory Memorandum, including the creation of a stronger mobile phone operator in which HTAL has a 50% shareholding, will not be available to HTAL.

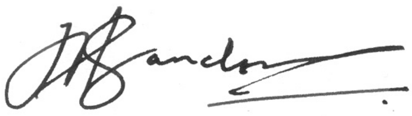
In deciding how to vote on the Resolution you should carefully weigh any possible adverse consequences arising from the joint venture arrangement with Vodafone against the potential benefits to HTAL. In particular, certain rights of HTAL under the Shareholders Agreement are based on HWL holding, and continuing to hold, a specified shareholding interest in H3GA (whether direct or indirect including via HTAL). Any unilateral action by HWL to reduce its shareholding interest could result in a diminution or loss of such rights. Please refer to Section 2 of the Explanatory Memorandum for further details of these possible adverse consequences and benefits. You should consider them carefully.

The independent Directors of HTAL believe that the Disposal Restrictions (in the context of the Proposed Joint Venture) are in the best interests of HTAL and recommend that you vote in favour of the Resolution for this reason subject to no superior proposal emerging.

In addition, all members of the HTAL Board consider that the Proposed Joint Venture is in the best interests of HTAL shareholders and unanimously recommend that HTAL shareholders vote in favour of the Resolution (and the Directors intend voting any Ordinary Shares they own in favour of the Resolution) subject to no superior proposal emerging.

The independent expert, Lonergan Edwards & Associates Limited, has concluded that the proposed transaction is fair and reasonable to the Non-Associated Shareholders of HTAL. The independent expert's report is set out in Annexure 1 of the Explanatory Memorandum and you are encouraged to read it in full.

Yours sincerely



Justin Gardener

Director

For and on behalf

of the independent Directors

HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED (ABN 15 003 677 227)

NOTICE is hereby given that an Extraordinary General Meeting (***EGM***) of shareholders of Hutchison Telecommunications (Australia) Limited (ABN 15 003 677 227) (***HTAL***) will be held at the Conference Centre, Ground Floor, Building A, 207 Pacific Highway, St Leonards, New South Wales on Thursday 2 April 2009 at 2:00pm

Agenda

Acquisition of relevant interest

To consider and, if thought fit, pass the following resolution (the ***Resolution***) as an ordinary resolution:

1. *THAT for the purpose of section 611 item 7 of the Corporations Act and for all other purposes, approval is given for:*

1.1 the acquisition of a relevant interest by:

(a) Vodafone Group Plc in 476,267,155 ordinary shares in HTAL arising under the disposal restrictions in the Implementation Agreement[1] *between Vodafone Group Plc, Hutchison Whampoa Limited and Hutchison Telecommunications (Australia) Limited dated 8 February 2009, as amended and restated on 25 February 2009 (the* ***Implementation Agreement****)*

(b) Vodafone Group Plc, and its subsidiaries including Vodafone Oceania Limited, Vodafone Belgium Investments SA and Vodafone International Holdings B.V., in 476,267,155 ordinary shares in HTAL arising under the disposal restrictions in the Shareholders Agreement[2] *between Vodafone Group Plc, Vodafone Oceania Limited, Vodafone Belgium Investments SA, Vodafone International Holdings B.V., Hutchison Whampoa Limited, Hutchison Telecommunications (Australia) Limited, Hutchison 3G Australia Holdings Pty Limited and Hutchison 3G Australia Pty Limited to be entered into after the date of the Extraordinary General Meeting (the* ***Shareholders Agreement****) and on Completion; and*

1.2 the acquisition of a relevant interest by:

(a) Vodafone Group Plc in 11,533,126,020 ordinary shares in HTAL arising under the disposal restrictions in the Implementation Agreement; and

(b) *Vodafone Group Plc, and its subsidiaries including Vodafone Oceania Limited, Vodafone Belgium Investments SA and Vodafone International Holdings B.V., in 11,533,126,020 ordinary shares in HTAL arising under the disposal restrictions in the Shareholders Agreement, following conversion of the convertible preference shares in HTAL by Hutchison Communications (Australia) Pty Limited or its Associates.*

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1 The Implementation Agreement is summarised in the Explanatory Memorandum to this Notice of EGM.

2 The Shareholders Agreement is summarised in the Explanatory Memorandum to this Notice of EGM.

Voting exclusion

In accordance with section 611 item 7 of the Corporations Act, no votes may be cast in favour of the Resolution by:

- to the extent that any of them hold any Ordinary Shares - Vodafone Group Plc (***Vodafone***), and its subsidiaries including Vodafone Oceania Limited, Vodafone Belgium Investments SA and Vodafone International Holdings B.V., and their respective Associates; and
- Hutchison Whampoa Limited (***HWL***) and Hutchison Communications (Australia) Pty Limited (***HCAPL***) and their respective Associates.

As at the date of this Notice of EGM, none of Vodafone or any of its subsidiaries hold any Ordinary Shares or otherwise have any relevant interests in Ordinary Shares or Convertible Preference Shares.

Summary of Resolution

A person has a relevant interest in shares where they have power to dispose of, or control the exercise of the power to dispose of shares. There are: (i) standstill rights granted to Vodafone under the Implementation Agreement; and (ii) pre-emptive rights granted to Vodafone under the Shareholders Agreement, which give a power to Vodafone to control the exercise by HWL and its subsidiaries of the power to dispose of Ordinary Shares in HTAL. As a result, Vodafone and the Vodafone HoldCos will acquire a relevant interest in 63.16%[3] of the Ordinary Shares in HTAL if the Resolution is approved, and will acquire a further relevant interest upon the conversion of the Convertible Preference Shares held by HCAPL, to take their relevant interests in Ordinary Shares up to 97.056% of all the Ordinary Shares (if only those Convertible Preference Shares held by HCAPL are converted) or 88.488% of all the Ordinary Shares (if all Convertible Preference Shares on issue are converted).[4] Each acquisition of relevant interests described above requires HTAL shareholder approval.

An independent expert's report is required in respect of the resolution in which the expert is required to state whether the proposed transaction is fair and reasonable to the Non-Associated Shareholders of HTAL. The report of the independent expert, Lonergan Edwards & Associates Limited, is Annexure 1 to the Explanatory Memorandum which accompanies this Notice of EGM.

A detailed explanation of the background and reasons for the proposed Resolution is set out in the Explanatory Memorandum that follows.

By order of the Board

Edith Shih

Louise Sexton

Company Secretaries

26 February 2009

3 This includes the relevant interest that HCAPL has in the Ordinary Shares held by Leanrose Pty Limited.

4 Stated percentages are based on HTAL's issued share capital as at the date of this Notice of EGM.

NOTES ON VOTING

Only holders of Ordinary Shares are entitled to speak and vote at the EGM. However, all holders of Ordinary Shares and Convertible Preference Shares are entitled to receive this Notice of EGM and to attend the EGM.

Proxies

If you cannot or do not wish to attend the EGM, you may appoint a proxy to attend and vote for you. The appointment may specify the proportion or number of your votes that the proxy may exercise. The proxy does not need to be a shareholder. If you are entitled to cast 2 or more votes at the meeting, you may appoint up to 2 proxies. If you appoint 2 proxies and the appointment does not specify the proportion or number of your votes the proxy may exercise, each proxy may exercise half of the votes.

To ensure that all holders of Ordinary Shares can exercise their right to vote on the Resolution, a proxy form is enclosed together with a reply paid envelope. You can lodge the proxy form by sending it in the reply paid envelope or otherwise posting, delivering or faxing it to HTAL's Share Registry (see below). The proxy form tells you what you need to do.

If you return your proxy form but do not nominate a representative, the Chairman of the EGM will be your proxy and will vote on your behalf as you direct on the proxy form. Any undirected proxies in favour of the Chairman may be voted by the Chairman as he thinks fit. This is subject to the voting notes included on the proxy form. (The chairman of HTAL will not be the Chairman of the EGM.)

When

The proxy form (along with any power of attorney or certified copy of the power of attorney under which it is signed) must be received by HTAL's Share Registry, Link Market Services Limited, in Sydney by no later than **2:00pm** on **Tuesday 31 March 2009.** Any proxy form lodged after that time will be treated as invalid.

How

The completed proxy form (along with any power of attorney or certified copy of the power of attorney under which it is signed) may be:

- mailed to Link Market Services Limited at Locked Bag A14, Sydney South, NSW 1235 in the enclosed reply-paid envelope; or
- sent by facsimile to: Link Market Services Limited on (02) 9287 0309; or
- delivered in person to Level 12, 680 George Street, Sydney, Australia; or
- lodged on-line at www.linkmarketservices.com.au in accordance with the instructions given there.

Entitlement to vote deadline

Under Regulation 7.11.37 of the Corporations Regulations, for the purposes of the EGM, **only those persons who are registered holders of Ordinary Shares at 7.00pm** on **Tuesday 31 March 2009**, and are not otherwise excluded from voting, are entitled to vote at the EGM. This means that if you are not the registered holder of an Ordinary Share at that time (an ***Ordinary Shareholder***) you will not be entitled to vote in respect of that Ordinary Share.

The vote on the Resolution will be decided on a show of hands unless a poll is demanded. On a show of hands, every Ordinary Shareholder who is present in person or by proxy, or by representative or by attorney, will have one vote. Upon a poll, every Ordinary Shareholder who is present in person or by proxy, or by representative or by attorney, will have one vote for each fully paid Ordinary Share held by that Ordinary Shareholder.

If your Ordinary Shares are jointly held, only one of the joint holders is entitled to vote. If more than one shareholder votes in respect of jointly held Ordinary Shares, only the vote of the shareholder whose name appears first in the register will be counted.

Requirements with regard to letters of representation for corporate shareholders

In order to vote at the EGM (other than by proxy), a corporation that is an Ordinary Shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act. The representative must bring to the EGM evidence of his or her appointment, including any authority under which it was signed.

Chairman on the Resolution

It is expected that Justin Gardener, an independent Director, will chair the meeting and vote proxies given to the Chairman in favour of the Resolution.

You are encouraged to read this Explanatory Memorandum in full. The meanings of capitalised words and expressions are set out in the glossary at the end of this Explanatory Memorandum.

1. Introduction

In 2003, HTAL launched Australia's first third generation (***3G***) mobile telecommunications network, operated by its wholly-owned subsidiary, Hutchison 3G Australia Pty Limited (***H3GA***).

H3GA provides voice, SMS, MMS, Instant Messaging, video calls, mobile content services and MBB services by way of 3G High-Speed Packet Access (***HSPA***) technology to subscribers in Sydney, Melbourne, Geelong, Brisbane, the Gold Coast, Adelaide, Canberra and Perth.

Through its 2G roaming arrangements, H3GA provides access in areas covering 96% of Australia's population for its mobile voice, SMS, MMS, instant messenger and email services. Its 3G service coverage extends to 57% of the Australian population and is planned to increase to 96% by the second quarter of 2009 through some network builds by H3GA and a recent 3G roaming agreement.

As at 31 December 2008, H3GA had 2.036 million active customers, including 527,000 mobile broadband customers.

The other major mobile carriers in the Australian market are Telstra Corporation Limited, SingTel Optus Limited (***Optus***) and Vodafone Australia Limited (***Vodafone Australia***).

Vodafone Australia is owned by Vodafone Oceania Limited, Vodafone Belgium Investments SA and Vodafone International Holdings B.V. (the ***Vodafone HoldCos***), each of which is an indirect wholly-owned subsidiary of Vodafone Group Plc, a public company listed on the London Stock Exchange (***Vodafone***). Vodafone has a significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States through Vodafone's subsidiary undertakings, joint ventures, associated undertakings and investments. As of 30 September 2008, Vodafone had a significant global presence in 27 countries through equity interests and a further 42 countries through partner network agreements.

At 31 December 2008, Vodafone had 289 million registered customers, calculated on a proportionate basis in accordance with Vodafone's ownership interest. Vodafone sells its products and services to consumer and business customers directly through Vodafone stores and country specific Vodafone websites, as well as through third party service providers, mobile virtual network operators (***MVNOs***), independent dealers, distributors, and retailers.

Vodafone Australia operates a mobile telecommunications network in Australia under the brand name "Vodafone". Its services include traditional voice and messaging services, as well as data intensive services such as MBB internet access, video calling, video messaging, full-track music downloads, mobile TV episodes, games and live news, which are offered as part of Vodafone Australia's 3G services.

Vodafone Australia's mobile network in Australia consists of 2G GSM (voice digital mobile network) and GPRS (data) that covers approximately 93% of the Australian population, and a 3G network that covers 63% of the Australian population. Vodafone Australia is in the process of rolling out a 3G network to approximately 95% of the Australian population. This upgrade is expected to be completed by mid 2009. Vodafone Australia also has a joint venture arrangement with Optus for radio access network infrastructure, which is limited to the metropolitan areas of Australia's capital cities.

At 31 December 2008, Vodafone Australia had 4.2 million customers (including MVNOs).

2. The Proposed Joint Venture

2.1 Overview

It is proposed that the Australian mobile communications operations of HTAL and Vodafone (currently conducted respectively by H3GA and Vodafone Australia and its subsidiaries) will be combined by HWL, HTAL and Hutchison 3G Australia Holdings Pty Limited (***H3GAH***) entering into a joint venture with Vodafone and the Vodafone HoldCos under which H3GAH and the Vodafone HoldCos (together) will own H3GA on a 50/50 basis, with Vodafone Australia becoming a wholly-owned subsidiary of H3GA (the ***Proposed Joint Venture***).

To equalise the value difference between the respective businesses, Vodafone will receive a payment of $500 million from H3GA. This payment will be funded by a loan from a Vodafone subsidiary to H3GA and take precedence over any shareholder returns and over the repayment of interest and principal of any other indebtedness of H3GA. The loan is on arm's length terms and is expected to be repaid or refinanced within 12 months after implementation of the Proposed Joint Venture, extendable to 18 months at H3GA's request.

At Completion, cash and cash equivalents in H3GA and Vodafone Australia will be cleared. Also, at Completion, H3GA will enter into separate loans for equivalent amounts from a Vodafone subsidiary and HWL subsidiary, each of which will be on arm's-length terms, have a five year maturity date and be subordinated to the $500 million loan. H3GA will pay the amount received under the Vodafone loan to entities within the Vodafone group.

The Proposed Joint Venture will be implemented pursuant to a Share Sale and Subscription Agreement entered into on 8 February 2009 (the ***SSSA***) and on completion occurring under the SSSA (***Completion***), the parties will enter into a Shareholders Agreement to regulate their respective interests in H3GA. Accordingly, the Proposed Joint Venture will be implemented upon Completion.

The Proposed Joint Venture will only be implemented if the Resolution described in the Notice of EGM is passed and various regulatory approvals, including from the Australian Competition and Consumer Commission, the Foreign Investment Review Board and the European Commission, are obtained.

Implementation of the Proposed Joint Venture is anticipated to occur by mid-2009.

2.2 The joint venture business

If the Proposed Joint Venture is implemented, H3GA will be renamed VHA Pty Limited. H3GA will market its products and services under the Vodafone brand, but will retain exclusive rights to use the "3" brand in Australia during a transition period as discussed below.

H3GA will own:

- the "3" mobile network business and assets in Australia which are currently owned and operated by it; and
- by virtue of wholly-owning Vodafone Australia, the "Vodafone" mobile network business and assets in Australia which are

currently owned and operated by Vodafone Australia.

HTAL's paging business and the 800 MHz spectrum licences HTAL holds will be transferred to H3GA after Completion.

(a) Brands

H3GA will have the exclusive use in Australia of the "Vodafone" brand for a period which commences on implementation of the Proposed Joint Venture and ends 3 years after the date on which Vodafone ceases to hold directly or indirectly any shares in H3GA. This arrangement will be governed by an agreement between H3GA and Vodafone Ireland Marketing Ltd, which is an indirect wholly-owned subsidiary of Vodafone, to be entered into on Completion (the ***Vodafone Brand Agreement***). Under the Vodafone Brand Agreement, H3GA will pay a royalty equal to 1% per annum of the H3GA group's service revenues (post-completion) for the exclusive use of the "Vodafone" brand in Australia. Upon termination of the Vodafone Brand Agreement, Vodafone may licence the use of the Vodafone brand to H3GA subject to agreement at that time on terms of the licence.

H3GA will have the exclusive use in Australia of the "3" brand and the non-exclusive use of the "Hutchison Telecoms" brand, in each case for a period of 3 years commencing on implementation of the Proposed Joint Venture. This arrangement will be governed by an agreement between H3GA and a wholly-owned subsidiary of HWL holding the relevant rights, to be entered into on Completion (the ***Hutchison Brand Agreement***). Under the Hutchison Brand Agreement, there will be total licence fees of $30 million payable by H3GA. Following termination of the Hutchison Brand Agreement, H3GA may be licensed to use the "3" brand and "Hutchison Telecoms" brands subject to, and on the terms of, any agreement entered into at that time.

(b) Services

HWL will provide services to H3GA which H3GA may use for a transitional period of up to 24 months after Completion, for a total fee of $7.5 million per annum. Vodafone will also provide services to H3GA for that transitional period, for a total fee of $40 million per annum. After the transitional period, the parties will enter into relevant co-operation agreements in respect of the provision of such services as H3GA selects, provided that H3GA must take certain core services provided by Vodafone.

2.3 Pro forma financial information

This section summarises the proforma balance sheets of the H3GA group (comprising H3GA and its subsidiaries) and HTAL as if the implementation date of the Proposed Joint Venture had occurred on 31 December 2008.

The proforma balance sheets have been derived from differing financial periods and reflect various assumptions specifically in regards to the level of net debt in the H3GA group and the fair value of the Vodafone Australia net assets acquired. Accordingly the proforma balance sheets are presented for illustrative purposes only and should not be relied upon.

Impact of joint venture on HTAL

The HTAL group (comprising HTAL and its subsidiaries) will recognise a 50% share of the newly combined H3GA group, which will be disclosed in HTAL group's balance sheet as an equity accounted investment. The value of this investment will equate to 50% of the existing net assets in H3GA at historical carrying value, and 50% of the acquired net assets of Vodafone Australia at fair value.

Impact of joint venture on H3GA

The joint venture will be accounted for by H3GA as a business combination.

All identifiable assets (including intangible assets), liabilities and contingent liabilities that meet certain recognition criteria will be recognised separately in the post-acquisition consolidated balance sheet of H3GA.

Information is not yet available to H3GA to calculate potential fair value adjustments in relation to the assets of Vodafone Australia that are to be acquired. Once this process of determining the fair values has been completed, the excess of the cost of the acquisition over the fair value of the identifiable assets, including intangible assets, liabilities and contingent liabilities, will be recognised as goodwill.

Accounting standards allow a period of 12 months to finalise provisional acquisition accounting adjustments from the date of acquisition.

The following potential intangible assets may be recognised in the consolidated balance sheet of the H3GA group subsequent to the implementation of the Proposed Joint Venture:

- spectrum licences;
- brands;
- customer relationships and contracts;
- intellectual property;
- technology based assets such as databases and software; and
- goodwill.

For the purposes of the proforma H3GA group balance sheet, the excess of the cost of acquisition over the illustrative fair value of the Vodafone Australia net assets to be acquired, has been presented as an intangible asset.

This amount will change once the fair value of all assets, liabilities and contingent liabilities acquired are determined as at the date of implementation of the Proposed Joint Venture.

The Directors consider that upon undertaking a detailed acquisition accounting review (which will occur after the date of implementation of the Proposed Joint Venture) a significant portion of the intangible assets will ultimately be applied to property, plant and equipment and identifiable intangibles. To the extent to which additional property, plant and equipment or other identifiable intangibles arise future earnings will be impacted by potentially significant increases to depreciation and amortisation. Any remaining goodwill recognised is not amortised, but subject to annual impairment testing.

Upon implementation of the Proposed Joint Venture, tax bases of Vodafone Australia will be reset and in certain circumstances may change, which may impact the fair value of deferred tax balances. Any resulting change in the tax base of the assets will impact on associated tax deductions and future cash flows of the H3GA group. The H3GA group may also recognise existing unrecognised H3GA deferred tax liabilities. At this stage, there is no reliable information upon which to estimate the impact of the acquisition on the tax position of HTAL or the H3GA group, accordingly no estimate of changes to any such assets or liabilities has been included in the proforma balance sheets.

The proforma balance sheets reflect the individual accounting policies of HTAL and Vodafone Australia respectively. No allowance for variations in accounting policies between HTAL and Vodafone Australia has been made in the H3GA group financial information.

HTAL has not had sufficient access to Vodafone Australia financial records to determine the consequences that may arise as a result of differences in accounting policies or in the application of accounting policies between HTAL and Vodafone Australia. The extent and quantum of any such differences remains uncertain. HTAL does not make any representation or any warranty, express or implied, in relation to the extent or quantum of any such accounting policy differences.

Table A: Proforma H3GA group and HTAL balance sheets, assuming implementation date of 31 December 2008

$m	Audited HTAL group 31.Dec.08 Note 1	Audited Vodafone Australia 31.Mar.08 Note 2	Unaudited transaction adjustments 31.Dec.08 Note 3	Unaudited proforma H3GA group 31.Dec.08 Note 4	Unaudited proforma HTAL group 31.Dec.08 Note 5
Assets					
Current Assets					
Cash and cash equivalents	134.7	361.7	(406.4)	90.0	-
Trade and other receivables	351.5	378.9	-	730.4	-
Inventories	60.2	19.2	-	79.4	-
Other current assets	45.1	109.3	(12.4)	142.0	-
Total Current Assets	**591.5**	**869.1**	**(418.8)**	**1,041.8**	**-**
Non-Current Assets					
Receivables	205.3	73.9	-	279.2	1,295.0
Investment accounted for using the equity method	8.5	-	-	8.5	1,124.3
Property, plant and equipment	1,039.6	1,081.2	-	2,120.8	-
Intangible assets	912.0	556.8	1,101.8	2,570.6	-
Other non-current assets	2.8	15.1	-	17.9	-
Total Non-Current Assets	**2,168.2**	**1,727.0**	**1,101.8**	**4,997.0**	**2,419.3**
Total Assets	**2,759.7**	**2,596.1**	**683.0**	**6,038.8**	**2,419.3**
Liabilities					
Current Liabilities					
Payables	839.8	432.8	(553.0)	719.6	-
Borrowings	1,002.1	36.2	(538.3)	500.0	-
Provisions	3.4	13.3	-	16.7	-
Current tax liabilities	-	42.1	-	42.1	-
Other	4.1	81.4	-	85.5	-
Total Current Liabilities	**1,849.4**	**605.8**	**(1,091.3)**	**1,363.9**	**-**
Non-Current Liabilities					
Borrowings	-	-	2,590.0	2,590.0	1,295.0
Provisions	2.1	3.9	-	6.0	-
Other liabilities	-	142.8	-	142.8	-
Deferred tax liabilities	-	16.6	-	16.6	-
Total Non-Current Liabilities	**2.1**	**163.3**	**2,590.0**	**2,755.4**	**1,295.0**
Total Liabilities	**1,851.5**	**769.1**	**1,498.7**	**4,119.3**	**1,295.0**
Net Assets	**908.2**	**1,827.0**	**(815.7)**	**1,919.5**	**1,124.3**
Total Equity	**908.2**	**1,827.0**	**(815.7)**	**1,919.5**	**1,124.3**

Notes:

1. The HTAL group 31 December 2008 balance sheet has been extracted from the audited financial statements of HTAL group.

2. The Vodafone Australia balance sheet has been extracted from the audited 31 March 2008 financial statements of Vodafone Australia. The Vodafone Australia balance sheet as at 31 March 2008 does not include balances relating to the Crazy Johns business which was acquired in October 2008 or any changes to other assets or liabilities through normal trading that has occurred since 31 March 2008. The actual assets and liabilities acquired by H3GA will be determined as at the date of implementation of the Proposed Joint Venture.

3. The transaction adjustments reflect the recognition of the excess of the cost of acquisition over the assumed fair value of the net assets of Vodafone Australia. For the purposes of presentation this amount is shown in intangible assets in the pro-forma balance sheet. Once this process of determining the fair values has been completed the amount will be recognised as goodwill to the extent to which it does not relate to identifiable intangibles and other assets. The transaction adjustments also reflect the revised funding and cash position of the H3GA group. Noting the cash and cash equivalent numbers are historical only, the transaction adjustments will be made on Completion. A minimum amount of cash and cash equivalents will be retained in each of H3GA and Vodafone Australia on Completion. The estimated total financial indebtedness of the H3GA group is $3.09 billion comprising $1.795 billion in shareholder loans from Vodafone and $1.295 billion in shareholder loans from a subsidiary of HWL. $2.59 billion of these loans have been classified as non-current borrowings as they will be repayable under arm's-length loan agreements with a five year maturity date. The remaining $500 million loan is also on arm's length terms and is expected to be repaid or refinanced within 12 months after implementation of the Proposed Joint Venture, extendable to 18 months at H3GA's request. The loans of $2.59 billion will be subordinated to the $500 million loan. This estimated indebtedness is subject to further discussion between the shareholders of H3GA. Should the actual financial indebtedness of H3GA vary at the date of implementation of the Proposed Joint Venture net liabilities will change with a corresponding adjustment to equity.

The transaction adjustments reflect the transfer to H3GA of the 800 MHz spectrum licences and the paging business post-Completion, as described earlier in this Explanatory Memorandum. The transaction adjustments also incorporate adjustments at the HTAL level to reflect the transfer of 50% of the historical goodwill from the HTAL group's existing investment in the H3GA business to be presented within the equity investment. The remaining 50% has been recorded within equity.

The pro-forma balance sheet has been presented prior to the $30 million payment relating to a 3 year licence to use the "3" brand" in Australia.

No adjustments have been made for any post-acquisition changes to tax balances of the existing HTAL and H3GA entities.

4. The H3GA group proforma balance sheet reflects the 100% ownership of existing net assets in H3GA at historical carrying value, and 100% of the acquired net assets of Vodafone Australia at fair value. The H3GA net assets have been derived from the HTAL group balance sheet as at 31 December 2008. The net assets of Vodafone Australia are based on an implied enterprise value of $2.95 billion (implied from the assessed value of H3GA plus $500 million). No separate valuation of Vodafone Australia has been completed and therefore the implied fair value may be different from that derived from a separate valuation.

5. The HTAL group proforma balance sheet reflects the HTAL group’s recognition of 50% of the proforma net assets of the H3GA group recorded as an equity accounted investment. The investment also includes historical goodwill from the HTAL group's existing investment in the H3GA business. It has been assumed that the HTAL group will provide total funding of $1.295 billion to the H3GA group which is in turn funded by a subsidiary of HWL.

2.4 Matters to consider in deciding how to vote on the Resolution

In deciding how to vote on the Resolution, you should carefully weigh any possible adverse consequences of the Disposal Restrictions against the potential benefits to HTAL of the Proposed Joint Venture.

(a) Transaction benefits

The Directors of HTAL consider that the Proposed Joint Venture will provide the following benefits:

- It will create a stronger mobile operator better positioned to compete in the Australian telecommunications market with approximately 6 million customers and combined total revenues of approximately $4 billion (based on financial results for the twelve months ended 30 June 2008).
- Utilising existing network arrangements and planned network build, H3GA will operate an advanced and comprehensive mobile network with at least 95% population coverage, of which 63% will have access to high speed 3G services. Upon completion of additional network roll outs, H3GA's 3G population coverage is planned to increase to 95%.
- Drawing from the best offerings of both Vodafone and HWL's "3" group, H3GA will have an even broader product offering, and will continue to provide consumer and business services to the Australian market.
- The in-market nature of the transaction is expected to create significant value. Economies of scale across procurement, product development, IT, network and commercial operations and administrative expenses are expected to generate strong value and deliver significant cost savings.
- The transaction is expected to be enhancing to HTAL's adjusted earnings per share from the first full year post completion (after synergies and excluding the impact of intangible asset amortisation and one-off costs).

(b) Possible adverse consequences

The Directors of HTAL are of the opinion that the benefits of the Proposed Joint Venture outweigh any possible adverse consequences arising from the joint venture arrangements. However, in deciding on how to vote you should take into consideration the following potential adverse consequences:

- certain rights of HTAL under the Shareholders Agreement may be reduced or lost thereby altering the balance of power within the joint venture – for instance, director appointment rights and veto rights over specified "reserved matters" are based on HWL holding, and continuing to hold, a specified shareholding interest in H3GA (whether direct or indirect including via HTAL). Any unilateral action by HWL to reduce its shareholding interest could result in a diminution or loss of such rights (see Section 3 of this Explanatory Memorandum for further information);
- following implementation of the Proposed Joint Venture, all HTAL shareholders will own an indirect interest in 50% of H3GA in proportion to their shareholdings in HTAL. Under the pre-emptive rights regime in the Shareholders Agreement, if the Vodafone HoldCos (or any other relevant Vodafone shareholder in H3GA) want to dispose of their H3GA shares, they must first offer those shares to HWL. If HWL accepts the offer and does not nominate HTAL or H3GAH to acquire the shares, HWL could have a proportionate interest in H3GA larger than its proportionate interest held through HTAL;

- the Disposal Restrictions, which place restrictions on the ability of, and ease with which, HWL can dispose of its Ordinary Shares in HTAL, may impede a takeover offer being made for HTAL and thus reduce the likelihood of HTAL shareholders receiving a bid from other parties and any associated takeover premium; and
- Vodafone has the first right to elect to subscribe for all (but not some only) Ordinary Shares if HTAL proposes to make a placement (and not an entitlement offer), or for all or some Ordinary Shares if HTAL is considering a public offering (other than a rights issue). Under such a placement or public offering, the shareholdings of HTAL shareholders would be diluted (however it should be noted that a dilution would occur irrespective of whether the relevant shares are issued to Vodafone or another person).

2.5 Directors' recommendation

Having regard to all relevant matters including those identified above, all of the Directors of HTAL (including the independent Directors, being those named in Section 5(h) of this Explanatory Memorandum) consider that the Proposed Joint Venture is in the best interests of HTAL shareholders and unanimously recommend that HTAL shareholders vote in favour of the Resolution (and intend to vote any Ordinary Shares they own in favour of the Resolution) subject to no superior proposal emerging.

2.6 Explanation of Resolution

Section 606(1) of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares of a listed company through a transaction if, because of the transaction, that person's or someone else's Voting Power in the listed company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%. The term "relevant interest" is defined broadly in the Corporations Act, such that a person may be deemed to have a relevant interest in shares without having a legal or beneficial ownership in those shares. In general terms, a person's Voting Power is equal to the percentage of shares in which it has a relevant interest together with the percentage of shares in which its Associates have a relevant interest.

However, section 611, item 7 of the Corporations Act permits the acquisition of a relevant interest that would otherwise contravene section 606(1) of the Corporations Act if it has previously been approved by a resolution of HTAL where no votes are cast in favour of the resolution by a person acquiring the relevant interest and its Associates or the person disposing of the relevant interest and its Associates. Accordingly, the Resolution, if approved, operates to satisfy the requirements of section 611, item 7 of the Corporations Act so as to authorise the acquisition by Vodafone and its subsidiaries of a relevant interest in Ordinary Shares.

A person has a relevant interest in shares where they have power to dispose of, or control the exercise of the power to dispose of shares. There are: (i) standstill rights granted to Vodafone under the Implementation Agreement; and (ii) pre-emptive rights granted to Vodafone under the Shareholders Agreement, which give a power to Vodafone to control the exercise by HWL and its subsidiaries of the power to dispose of Ordinary Shares. As a result, Vodafone and the Vodafone HoldCos will acquire a relevant interest in 63.16%[1] of the Ordinary Shares if the Resolution is approved, and will acquire a

1 This includes the relevant interest that HCAPL has in the Ordinary Shares held by Leanrose Pty Limited.

further relevant interest upon the conversion of the Convertible Preference Shares held by HCAPL, to take their relevant interests in Ordinary Shares up to 97.056% of all the Ordinary Shares (if only those Convertible Preference Shares held by HCAPL are converted) or 88.488% of all the Ordinary Shares (if all Convertible Preference Shares on issue are converted).[2] Each acquisition of relevant interests described above requires HTAL shareholder approval.

An independent expert's report is required in respect of the Resolution in which the expert is required to state whether the proposed transaction is fair and reasonable to HTAL shareholders. The report of the independent expert, Lonergan Edwards & Associates Limited, is Annexure 1 to this Explanatory Memorandum.

2.7 Convertible Preference Shares

Upon implementation of the Proposed Joint Venture, there will be a "Change of Control Event" under the terms of issue of the Convertible Preference Shares which will give both the holders of Convertible Preference Shares and HTAL the right to elect to convert the Convertible Preference Shares. Upon the relevant right arising:

(a) whether or not HTAL elects to exercise its right to convert the Convertible Preference Shares, HCAPL, which holds 89.97% of the Convertible Preference Shares on issue, intends to elect to convert some or all of its Convertible Preference Shares but at least such number of its Convertible Preference Shares in order to maintain its current holding of Ordinary Shares in HTAL, being 52.03% of the Ordinary Shares; and

(b) HTAL intends to exercise its right to convert all other Convertible Preference Shares.

HTAL shareholders approved the acquisition of relevant interests in Ordinary Shares arising from the conversion by HCAPL of its Convertible Preference Shares at the annual general meeting held on 4 May 2007.

3. Summary of Shareholders Agreement

3.1 Overview

H3GA is a proprietary company with only one ordinary shareholder as at the date of issue of the Notice of EGM and this Explanatory Memorandum (being H3GAH). The effect of the Proposed Joint Venture is that there will be four entities holding ordinary shares in H3GA – 50% of the ordinary shares will be held by H3GAH and the other 50% will be held by the three Vodafone HoldCos.

The Shareholders Agreement regulates the rights and obligations of the holders of H3GA Securities and of the securities in those holders' parent entities. The Shareholders Agreement will be signed and take effect on the date of Completion, which is expected to occur by mid-2009, subject to the receipt of required regulatory approvals as described in Section 2.1 of this Explanatory Memorandum.

A general summary of the key provisions of the Shareholders Agreement is set out below. This summary is not intended to be exhaustive and is qualified by the Corporations Act and the general law. It is intended that H3GA will adopt a new constitution to be effective upon Completion, however the Shareholders Agreement will prevail to the extent there is

2 Stated percentages are based on HTAL's issued share capital as at the date of this Notice of EGM.

any inconsistency between the Shareholders Agreement and the H3GA constitution.

The Shareholders Agreement is an important document as it impacts on the control that HTAL has over H3GA. In particular, actions taken by HWL can cause H3GAH to lose certain rights it has under the Shareholders Agreement or can cause those rights to be reduced. In deciding how to vote on the Resolution, HTAL shareholders should weigh any disadvantages arising from the arrangements under the Shareholders Agreement against the benefits of the Proposed Joint Venture as identified by the Directors above.

3.2 Directors

The maximum number of directors on the board of H3GA will be 10, with up to five to be appointed by H3GAH and up to five to be appointed by the Vodafone HoldCos acting collectively.

If HWL's or Vodafone's "Effective Interest" (being essentially the sum of their direct holdings in H3GA and their indirect holdings in H3GA, the latter being determined by multiplying the number of voting securities held by each entity within the chain of entities between HWL or Vodafone (as relevant) and H3GA, expressed as a percentage of all the H3GA Securities on issue) in H3GA securities is less than 33.5%, then:

- HWL Shareholders may collectively appoint one director for every 10% holding of Effective Interest held by HWL; and
- Vodafone Shareholders may collectively appoint one director for every 10% holding of Effective Interest held by Vodafone.

Each director is entitled to one vote and, unless specified otherwise in the Shareholders Agreement, each matter requiring board approval requires approval by a "Simple Majority Directors Resolution" (i.e. a resolution approved by directors having more than 50% of the total voting rights of those entitled to vote).

3.3 Reserved matters

There are some things that H3GA must not do unless both the HWL Shareholders and Vodafone Shareholders, through their respective nominee directors, give their approval. Such "reserved matters" include certain changes in the share capital of H3GA, the creation of security interests over H3GA's assets, raising debt financing, approving the annual budget and five year business plan for H3GA, sales and disposals of assets of H3GA, the entry into material contracts and commencing or settling material litigation. If HWL's or Vodafone's Effective Interest is less than 33.5% but equal to or greater than 25%, the relevant shareholder loses its approval rights in respect of some reserved matters. If HWL's or Vodafone's Effective Interest is less than 25%, the relevant shareholder loses its approval rights in respect of all reserved matters. In such circumstances, the relevant shareholder loses their effective veto over the relevant "reserved matters".

HTAL shareholders should therefore note that if HWL reduces its Effective Interest (which could occur as a result of HWL selling Upstream Securities and which would not require HTAL's approval):

- *the number of directors which can be appointed by H3GAH will be reduced and the quorum requirements altered, thereby altering the balance of power within the joint venture; and*
- *H3GAH could lose some of its veto rights, thereby also altering the balance of power within the joint venture.*

3.4 Distribution policy

No dividend will be declared, approved or made by H3GA unless in accordance with H3GA's distribution policy determined by the board having regard to H3GA's level of net debt and financing objectives, lender covenants and the availability of distributable reserves. No distribution is to be approved or paid as long as there remains any principal or interest payable by H3GA under the $500 million loan from a wholly-owned subsidiary of Vodafone as described in Section 2.1 above.

3.5 Issue of new H3GA Securities

The Shareholders Agreement regulates the issue of new H3GA Securities by H3GA. H3GA must not issue any H3GA Securities except:

- for the purposes of procuring equity funding for the H3GA corporate group in accordance with the Shareholders Agreement (see below under the sub-heading "Financing of H3GA Corporate Group"); and
- in circumstances where the issue of H3GA Securities has been approved as a "reserved matter" (see Section 3.3 above).

Where the issue of H3GA Securities has been approved as a reserved matter and the Board does not specify otherwise, a shareholder who takes up their full pro-rata entitlement may take up additional H3GA Securities pursuant to the new issue should the other shareholder not take up their full pro-rata entitlement under the new issue – in this case, the first shareholder may subscribe for the additional shares at a 20% discount. Where there is an unequal take up of new securities, the shareholder taking up fewer securities will be diluted.

3.6 Financing of H3GA corporate group

The parties intend that all funding for the purpose of implementing the annual budget and business plan of H3GA will be derived from cash flows of the business. H3GA must not obtain any equity or debt funding unless it has been unable to obtain all funding it requires by way of overdraft or other non-recourse funding from third party commercial lenders on commercially reasonable terms.

To the extent that third party debt funding is not available to cover the required funding, H3GA must give written notice to the HWL Shareholders and the Vodafone Shareholders requesting debt funding from them. The Shareholders Agreement sets out the process whereby the shareholders may provide that funding. If one shareholder (the ***Higher Funding Shareholder***) has committed to provide more debt funding than the other (the ***Lower Funding Shareholder***), then:

- each shareholder will be required to provide debt funding in an amount equal to the amount committed by the Lower Funding Shareholder;
- the Higher Funding Shareholder can elect whether to fund all or part of such amount which equals the difference between the total funding sought by H3GA less the committed amounts provided by each shareholder as described immediately above, and can provide such funding by way of either or a combination of:
- debt funding, which will attract a higher interest rate than the committed amounts of debt funding provided by each shareholder; or
- equity funding, which will be in the form of ordinary shares in H3GA at a subscription price which is a 20% discount to the fair market value of the ordinary shares.

Therefore, where there is unequal funding, the shareholder which provides less funding could be diluted.

3.7 Disposal of H3GA Securities – Disposal Restrictions

During the period of three years from Completion, a shareholder may not dispose of any H3GA Securities except to a wholly owned subsidiary of HTAL or Vodafone (as relevant).

After the end of the three year period, a shareholder may not dispose of any H3GA Securities except:

- to a wholly owned subsidiary of Vodafone (in the case of the Vodafone Shareholder(s)); or
- a wholly owned subsidiary of HTAL (in the case of the HWL Shareholder(s)); or
- under the pre-emptive, tag along and exit rights described below; or
- if the transfer is a simultaneous transfer by both shareholders, the result of which the HWL Shareholders and Vodafone Shareholders hold the same number of ordinary shares and neither shareholder holds less than 33.5% of the ordinary shares following the transfer.

3.8 Disposal of Upstream Securities – Disposal Restrictions

Each of Vodafone and it subsidiaries, and HWL and its subsidiaries, must not dispose of any Upstream Securities except:

- to a wholly owned subsidiary; or
- under the pre-emptive and tag along rights described below.

3.9 Pre-emptive rights

Transfers of H3GA Securities by a shareholder or transfers of Upstream Securities by Vodafone or its subsidiaries or HWL or its subsidiaries (other than to wholly owned subsidiaries as described above) must follow the pre-emptive rights process set out in the Shareholders Agreement which includes initially offering the relevant securities to HWL (in the case of a proposed transfer by Vodafone or its subsidiaries) or Vodafone (in the case of a proposed transfer by HWL or its subsidiaries) and the relevant party either accepting the offer for all the offered securities or rejecting the offer. Where the offer is not accepted, the seller may proceed with a transfer of all (and not some only) of the relevant securities to a third party buyer within six months. The principles of this pre-emptive rights process also apply where any Upstream Entity (other than Vodafone, HWL and HTAL) seeks to issue new securities to a person (other than to an entity which is a wholly-owned subsidiary of Vodafone or HWL, as applicable).

The pre-emptive rights, but not the obligations, fall away for HWL or Vodafone (as relevant) if it has an Effective Interest of less than 25%.

3.10 Tag-along rights

Generally speaking, transfers of H3GA Securities or Upstream Securities by Vodafone or its subsidiaries or HWL or its subsidiaries to a third party buyer must (provided the pre-emptive rights are not exercised or are not applicable) follow the tag-along rights process set out in the Shareholders Agreement. That process includes the third party buyer offering to purchase H3GA Securities from the HWL Shareholders or Vodafone Shareholders (as relevant) which, in the case of a transfer of H3GA Securities by the seller, must be the same number of H3GA Securities the seller proposes to transfer, or in the case of a transfer of Upstream Securities, such number of H3GA Securities as is proportionate to the reduction in the Effective Interest of HWL or Vodafone (as relevant). The principles of this tag-along rights process also apply where any Upstream Entity (other than Vodafone, HWL and HTAL) seeks to issue new securities to a person (other than to an entity which is a wholly-owned subsidiary of Vodafone or HWL, as applicable).

3.11 Exit rights

If either of the HWL Shareholder or Vodafone Shareholders (the ***Exiting Shareholder Group)*** wishes to transfer all or any of its H3GA Securities to a person by way of initial public offering of H3GA (***IPO***), then that Exiting Shareholder Group must give notice to H3GA and Vodafone or HWL (as applicable) at any time after the end of three years after Completion (but not more than once during any subsequent 18 month period). Each party is to co-operate and use their best endeavours in applying to a stock exchange (other than a stock exchange in the United States of America) for the admission of H3GA to the official list of that stock exchange and the official quotation of its H3GA Securities on that stock exchange although neither party is obliged to sell or purchase any H3GA Securities in the IPO.

The parent company of the non Exiting Shareholder Group (the ***Non-Exiting Parent***) has a first right to purchase the H3GA Securities to be transferred by the Exiting Shareholder Group pursuant to the IPO. If that first right to purchase is not exercised by the Non-Exiting Parent, the Exiting Shareholder Group may proceed with the IPO but must (among other things) offer the Non-Exiting Parent the right to purchase up to 40% of the H3GA Securities to be sold into the IPO at the price established by the IPO process. The Non-Exiting Parent's right of first offer and right to purchase up to 40% of the H3GA Securities falls away for as long as the Non-Exiting Parent holds an Effective Interest of less than 25%.

H3GA may also, if it wishes, issue new ordinary shares as part of the IPO.

HTAL shareholders should note that these exit rights may result in HTAL holding its interest in the telecommunications business of H3GA through a listed entity.

3.12 Issue of securities by HTAL

For so long as Vodafone has an Effective Interest of at least 25%, HTAL must not issue securities (including shares issued upon conversion or exercise of options) except where:

- securities are issued upon conversion of securities that were in existence prior to the date of the SSSA;
- securities are issued upon the exercise of options that were in existence prior to the date of the SSSA;
- securities are issued pursuant to any HTAL employee incentive scheme in existence prior to the date of the SSSA.

During this time, if HTAL proposes to issue any new securities, HTAL must notify Vodafone of the proposed issue terms and conditions (including subscription price) prior to soliciting expressions of interest from other proposed investors and Vodafone must notify H3GA whether it intends to participate in the offer. Vodafone (or its wholly-owned subsidiary nominee) has the first right to elect to subscribe for all (but not some only) securities if there is to be a placement, or for all or some securities if there is to be a public share offering (there is no such first right if there is to be an entitlement offer such as a pro rata rights issue). If Vodafone does not subscribe for all of the securities pursuant to a placement, HTAL may proceed with the offer to other investors on substantially the same terms at a price that is no less than that offered to Vodafone. If Vodafone does not subscribe for all securities under a public share offering, HTAL may proceed with the offer at a subscription price established through the offer process, provided that (among other things) Vodafone is offered the right to subscribe for up to 40% of the securities being issued.

HTAL shareholders should note that under such a placement or public offering, the shareholdings of HTAL shareholders will be diluted (however it should be noted that a dilution would occur irrespective of whether the relevant shares are issued to Vodafone or another person).

3.13 Non-compete

Each party to the Shareholders Agreement (except H3GA) agrees that it and its subsidiaries will not, for a period of up to three years following the date on which it ceases to hold H3GA Securities or any indirect shareholding interest in H3GA (whichever is latest), carry on a business in Australia which is the same, substantially similar to or in competition with the business of the H3GA group as carried on by H3GA or any of its subsidiaries. The Shareholders Agreement specifies certain exceptions to this rule.

3.14 Other considerations

The provisions regarding the appointment and voting of directors, the issue of new H3GA Securities and the restrictions on disposals of securities are subject to ensuring that the relevant matter does not have an effect under certain agreements which could, among other things, have a material adverse effect on the business of H3GA.

4 Independent Expert's Report

ASIC Regulatory Guide 74 requires that the HTAL shareholders be provided with, amongst other things, an analysis of whether the proposed transaction is fair and reasonable when considered in the context of the interests of the Non-Associated Shareholders of HTAL. The Directors may satisfy their obligations to provide such an analysis by commissioning an independent expert's report. The independent Directors of HTAL have commissioned an independent expert's report from Lonergan Edwards & Associates Limited, which is set out in Annexure 1.

Lonergan Edwards & Associates Limited's report concludes that the proposed transaction is fair and reasonable to the Non-Associated Shareholders of HTAL. HTAL shareholders should read this report in full before deciding how to vote.

5 Other Information

ASIC Regulatory Guide 74 also requires the provision of the following additional information:

(a) The Proposed Joint Venture will be implemented pursuant to a Share Sale and Subscription Agreement entered into on 8 February 2009 (***SSSA***) and on completion occurring under the SSSA, the parties will enter into a Shareholders Agreement to regulate their respective interests in H3GA. The SSSA is conditional on various matters, including the Resolution being passed by HTAL shareholders and approval of the Proposed Joint Venture by the Foreign Investment Review Board, the Australian Competition and Consumer Commission and the European Commission.

(b) On 8 February 2009, Vodafone, HWL and HTAL entered into an Implementation Agreement under which the parties agreed to certain Disposal Restrictions, exclusivity obligations and break fees. On 25 February 2009, the Implementation Agreement was amended and restated, to provide that HTAL would be released from its exclusivity arrangements as they apply to HTAL shares if HTAL shareholders vote against the Resolution, and also to provide for a reduction in the amount of the break fee that might be payable by HTAL to Vodafone if certain events occur. A summary of the relevant provisions of the Implementation Agreement (as amended and restated) are set out in Annexure 2 of this Explanatory Memorandum. The Implementation Agreement is conditional on the Resolution being passed by HTAL shareholders.

(c) The Shareholders Agreement will not become effective until the conditions to completion under the SSSA described in paragraph (a) above are satisfied or (where possible) waived by the parties to that agreement.

(d) No change is proposed to the existing Directors of HTAL in connection with the Proposed Joint Venture.

(e) H3GAH and the Vodafone HoldCos do not have any intention to materially change the business of H3GA, redeploy the fixed assets of H3GA or otherwise transfer property to or from H3GA (except for the transfer of the spectrum licences and the paging business from HTAL to H3GA). It is intended that a functional review of the existing employee base of the HTAL group and Vodafone Australia be undertaken. No specific redundancies have been identified at this stage, but it is likely that the integration of management and operational functions will involve some redundancies. If any HTAL group employee is made redundant, they will as a minimum receive payment and other benefits in accordance with contractual and legal entitlements.

(f) The interests of the Directors in the Resolution arise either or both: (i) in their capacity as directors of HWL and/or HCAPL, and/or (ii) as a result of their relevant interests in HTAL securities which are as follows:

Director	**Particulars of Directors' Interests in Shares of HTAL**	
	Ordinary Shares	**Convertible Preference Shares**
Fok Kin-ning, Canning	5,100,000*	-
Barry Roberts-Thomson	83,916,297**	2,400
Chow Woo Mo Fong, Susan	-	-
Justin Herbert Gardener	902,858	150,000
Lai Kai Ming, Dominic	-	-
Kevin Steven Russell	-	-
John Michael Scanlon	-	-
Frank John Sixt	1,000,000	-
Roderick James Snodgrass	-	-

*Direct holding of 100,000 Ordinary Shares

**Direct holding of 2,500 Ordinary Shares

Notes: Fok Kin-ning, Canning holds a relevant interest in (i) 4,310,875 ordinary shares of HWL, a related body corporate of HTAL; (ii) 5,000,000 ordinary shares of Hutchison Harbour Ring Limited, a related body corporate of HTAL; (iii) a nominal amount of USD2,500,000 in the 6.50% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited, a related body corporate of HTAL; (iv) a nominal amount of USD2,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI 03/33"), a related body corporate of HTAL; (v) a nominal amount of USD2,500,000 in the 5.45% Notes due 2010 issued by HWI 03/33; (vi) a nominal amount of USD2,000,000 in the 7.45% Notes due 2033 issued by HWI 03/33; (vii) 1,202,380 ordinary shares of Hutchison Telecommunications International Limited (***HTIL***), a related body corporate of HTAL; and (viii) 225,000 American Depository Shares (each representing one ordinary share) of Partner Communications Company Ltd.

Chow Woo Mo Fong, Susan holds a relevant interest in 150,000 ordinary shares of HWL and 250,000 ordinary shares of HTIL.

Lai Kai Ming, Dominic holds a relevant interest in 50,000 ordinary shares of HWL.

Frank John Sixt holds a relevant interest in (i) 50,000 ordinary shares of HWL; (ii) one ordinary share of Colonial Nominees Limited, a related body corporate of HTAL, on behalf of Hutchison International Limited; and (iii) 17,000 American Depository Shares (each representing 15 ordinary shares) of HTIL.

(g) All of the directors of HTAL, being Fok Kin-ning, Canning; Barry Roberts-Thomson; Chow Woo Mo Fong, Susan; Lai Kai Ming, Dominic; Justin Herbert Gardener; Kevin Steven Russell; John Michael Scanlon; Frank John Sixt and Roderick James Snodgrass have approved the putting of the Resolution to HTAL shareholders and this Explanatory Memorandum. Each Director strongly advises that you read the Independent Expert's Report in full before voting on the Resolution.

(h) Each of Barry Roberts-Thomson, Justin Herbert Gardener, John Michael Scanlon and Roderick James Snodgrass (being the Directors not associated with HWL) recommends that HTAL shareholders approve the Proposed Joint Venture by voting in favour of the Resolution on the basis that the Independent Expert's Report considers that the proposed transaction is fair and reasonable to Non-Associated Shareholders for the reasons set out in the Independent Expert's Report.

(i) Each Director who is eligible to vote on the Resolution intends to vote in favour of the Resolution in respect of all the Ordinary Shares held by him.

(j) There is no intention to change significantly the financial or dividend policies of HTAL as a result of the Proposed Joint Venture.

(k) The Independent Expert's Report contains an analysis of whether the proposed transaction is fair and reasonable when considered in the context of the Non-Associated Shareholders. Lonergan Edwards & Associates Limited has consented in writing to the inclusion of its report in the form and context in which it is included in this Explanatory Memorandum and has not withdrawn its consent.

(l) Except as disclosed in the Notice of EGM and this Explanatory Memorandum, there is no other information material to a HTAL shareholder's decision on how to vote on the Resolution known to HTAL.

GLOSSARY

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as “associate” in sections 12 and 16 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange.

Completion means completion occurring under the SSSA.

Convertible Preference Shares means the convertible preference shares issued by HTAL under a prospectus dated 4 May 2007.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Corporations Regulations means the *Corporations Regulations 2001 (Cth).*

Directors means the directors of HTAL.

Disposal Restrictions includes the standstill obligations in the Implementation Agreement and the pre-emptive rights regime in the Shareholders Agreement.

EGM means the extraordinary general meeting the subject of this notice, to be held on Thursday 2 April 2009.

Explanatory Memorandum means the document so entitled accompanying this Notice of EGM of HTAL, of which this Glossary forms a part. It includes the Annexures.

H3GA means Hutchison 3G Australia Pty Limited (ACN 096 304 620), which will be re-named VHA Pty Limited if the Proposed Joint Venture is implemented.

H3GA Securities means ordinary shares or other classes of shares in H3GA.

H3GAH means Hutchison 3G Australia Holdings Pty Limited (ACN 096 549 423).

HCAPL means Hutchison Communications (Australia) Pty Limited (ACN 003 658 222).

HTAL means Hutchison Telecommunications (Australia) Limited (ACN 003 677 227).

HTAL Board means the board of Directors of HTAL.

HWL means Hutchison Whampoa Limited.

HWL Shareholders means H3GAH and any of HWL and its subsidiaries who are registered holders of H3GA Securities.

Implementation Agreement means the agreement of that name between Vodafone, HWL and HTAL dated 8 February 2009, as amended and restated on 25 February 2009.

Independent Expert means Lonergan Edwards & Associates Limited (ACN 095 445 560).

Independent Expert's Report means the report prepared by the Independent Expert, set out in full in Annexure 1.

Non-Associated Shareholders means holders of Ordinary Shares other than HWL, HCAPL and their Associates.

Ordinary Shares means fully paid ordinary shares in the capital of HTAL.

Proposed Joint Venture means the transaction described in Section 2 of this Explanatory Memorandum.

Resolution means the resolution on which HTAL shareholders are being asked to vote, as set out in the Notice of EGM.

Shareholders Agreement means the agreement between Vodafone, the Vodafone HoldCos, HWL, HTAL, H3GAH and H3GA to be entered into on the date of completion of the SSSA.

SSSA means the Share Sale and Subscription Agreement between Vodafone, the Vodafone HoldCos, HWL, HTAL, H3GAH and H3GA dated 8 February 2009.

Upstream Entity means an entity in the chain or chains of entities between H3GA and HWL or Vodafone (as relevant).

Upstream Securities means securities issued by an Upstream Entity.

Vodafone means Vodafone Group Plc (Company Number 01833679).

Vodafone Australia means Vodafone Australia Limited (ACN 056 161 043).

Vodafone HoldCos means Vodafone Oceania Limited (Company Number 03973427), Vodafone Belgium Investments SA (Company Number 0474882504) and Vodafone International Holdings B.V. (Company Number 24235177).

Vodafone Shareholders means the Vodafone HoldCos and any of Vodafone and its subsidiaries who are registered holders of H3GA Securities.

Voting Power is determined in accordance with section 610 of the Corporations Act. Note: a person's voting power in a company is the total number of votes attached to all the voting shares in the company in which the person or an Associate of the person has a relevant interest (as defined in the Corporations Act), expressed as a percentage of the total number of votes attached to all voting shares in the company. A person can have voting power in a company without controlling the voting rights attached to any shares.

In the Notice of EGM and this Explanatory Memorandum:

- all amounts are in Australian dollars unless otherwise stated; and
- a reference to legislation or to a provision of legislation includes any modification or re-enactment of it, a legislative provision substituted for it and all regulations or statutory instruments issued under it.

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The Independent Directors
Hutchison Telecommunications (Australia) Limited
Building A
207 Pacific Highway
St Leonards NSW 2065

26 February 2009

Subject: Merger of Australian telecommunications operations of Hutchison Telecommunications (Australia) Limited and Vodafone Group Plc

Dear Sirs

Introduction

1 On 9 February 2009 Hutchison Telecommunications (Australia) Limited (HTAL) and Vodafone Group Plc (Vodafone) announced that they had agreed to merge their telecommunications businesses in Australia, Hutchison 3G Australia Pty Limited (H3GA) and Vodafone Australia Limited (Vodafone Australia) (the Proposal). The Proposal will be effected by the combination of the businesses of H3GA and Vodafone Australia under H3GA, which will become a 50/50 joint venture.

2 Under the Proposal:

(a) each of Vodafone and HTAL will own 50% of H3GA, which will own and operate H3GA's business and wholly-own Vodafone Australia. On completion of the merger, H3GA will be re-named VHA Pty Limited (VHA)

(b) H3GA, under its new name VHA, will market its products and services under the Vodafone brand and have exclusive rights to use the Vodafone brand in Australia from implementation of the Proposal until three years after the date on which Vodafone ceases to have any direct or indirect shareholding interest in VHA, and in respect of that arrangement Vodafone will receive an annual brand licensing fee from VHA equal to 1% of service revenues

(c) H3GA, under its new name VHA, will also retain exclusive rights to use the "3" brand in Australia and non-exclusive rights to use the "Hutchison Telecoms" brand for three years from completion, and in respect of those rights H3GA will pay total licence fees of $30 million

(d) in addition to Vodafone subsidiaries who currently hold the shares in Vodafone Australia (being Vodafone Oceania Ltd, Vodafone Belgium SA and Vodafone International Holdings BV (the Vodafone Shareholders)) acquiring a 50% shareholding interest in H3GA:

   (i) the Vodafone Shareholders will receive a cash payment of $500 million to equalise the agreed value difference between the value of the H3GA and Vodafone Australia businesses. This payment will be funded by a $500 million loan to H3GA, from a wholly-owned subsidiary of Vodafone. The loan will be on arm's length terms and must be repaid or refinanced within 12 months from implementation of the Proposal, extendable to 18 months at H3GA's request. Repayment of the loan will take precedence over any H3GA shareholder returns and over repayment of principal and interest on other shareholder loans to H3GA

   (ii) upon implementation of the Proposal, cash and cash equivalents in H3GA and Vodafone Australia will be cleared. Also, upon implementation, H3GA will enter into separate loans for equivalent amounts from a subsidiary of Vodafone and a subsidiary of Hutchison Whampoa Limited (HWL) (which is the majority shareholder of HTAL), each of which will be on arm's length terms, have a five year maturity date and be subordinated to the $500 million loan. H3GA will pay the amount received under the Vodafone loan to entities within the Vodafone group[1]

(e) both HWL and Vodafone will be paid estimated fees of $7.5 million per annum and $40 million per annum respectively in connection with services provided for a transitional period of up to two years after implementation of the Proposal. We understand that these fees were determined after arm's length negotiation between HWL, HTAL and Vodafone. In the event that the services are no longer required beyond the two year transitional period we understand that H3GA will be able to terminate the services (other than certain core services from Vodafone which H3GA must continue to use).

[1] For the purposes of our report we have assumed that, after completion, the only debt in VHA will be the $500 million loan, and loans (as described in this sub-paragraph (ii)) from subsidiaries of Vodafone and HWL for equivalent amounts. The amount of these loans is yet to be confirmed.

3 The parties intend that the ongoing aspects of the Proposal be effected by HWL, HTAL, Vodafone and H3GA[2] entering into a Shareholders Agreement. It is proposed that the Shareholders Agreement includes an undertaking to be given by HWL to Vodafone that limits the ability of HWL to dispose of its shares in HTAL, and of HTAL to dispose of its shares in VHA, for a certain period. Vodafone will provide a broadly parallel undertaking as regards its shareholding interest in wholly-owned subsidiary companies holding investments in VHA, and as regards the shareholding interest of the subsidiary companies in VHA.

4 The Proposal is subject to a number of conditions, including the approval of the Foreign Investment Review Board (FIRB), the Australian Competition and Consumer Commission (ACCC), the European Commission and HTAL shareholders.

HTAL

5 HTAL is an indirect partly owned subsidiary of HWL and is listed on the Australian Securities Exchange (ASX). In the year ended 31 December 2008 HTAL achieved total revenues of $1.6 billion and earnings before interest, tax, depreciation and amortisation (EBITDA) of $200.0 million[3], implying an EBITDA margin of 12.0%. As at 31 December 2008 HTAL had total gross assets of $2.8 billion.

6 H3GA is an indirect wholly owned subsidiary and the principal operating entity of HTAL. H3GA delivers mobile services under the “3” brand and operates HTAL’s 3G network in Australia. HTAL launched Australia’s first 3G mobile network “3” in April 2003, and today has over 2 million customers.

Vodafone Australia

7 Vodafone Australia is an indirect wholly owned subsidiary of Vodafone. Vodafone Australia is the third largest (by revenue and customers) mobile operator in Australia with over 4.2 million customers (including MVNO customers[4]) as at 31 December 2008. For the fiscal year ended 31 March 2008 the company recorded total revenues of $2.4 billion and EBITDA of $499 million[5], implying an EBITDA margin of 20.5%. As at 31 March 2008 Vodafone Australia had total gross assets of $2.6 billion.

[2] Including respective wholly owned subsidiary companies of HTAL and Vodafone who are or will be the registered holders of shares in H3GA.
[3] Based on the Australian equivalent to International Financial Reporting Standards (AIFRS).
[4] MVNO (Mobile Virtual Network Operator) customers utilise the Vodafone network on a wholesale basis, providing their customer base with their own branding, tariff and billing services.
[5] Based on the Australian equivalent to International Financial Reporting Standards (AIFRS).

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Scope

8 The Proposal is subject to, amongst other things, the approval by HTAL shareholders of an ordinary resolution pursuant to Section 611 item 7 of the Corporations Act (the Resolution). The Resolution relates to the acquisition by Vodafone of a relevant interest in HTAL shares arising from the restrictions on the disposal of HTAL shares held by HWL and its subsidiaries, as set out in an Implementation Agreement (as amended) and in the proposed Shareholders Agreement (collectively the Lock-up Arrangement).

9 If the Resolution is approved, Vodafone will acquire a relevant interest in the HTAL shares in which HWL has a relevant interest[6]. It is contemplated that, if the Resolution is approved, the disposal restrictions in the Implementation Agreement will cease and be superseded by the disposal restrictions in the Shareholders Agreement.

10 ASIC Regulatory Guides 74 and 111 set out the views of the Australian Securities and Investments Commission (ASIC) on the operation of the shareholder approval regime in Section 611 item 7 of the Corporations Act. With respect to the Resolution to be put to HTAL shareholders, the Regulatory Guides require that the HTAL shareholders be provided with, amongst other things, an analysis of whether the Proposal is fair and reasonable when considered in the context of the interests of the HTAL shareholders not associated with HWL. Regulatory Guide 74 states that the Directors may satisfy their obligations to provide such an analysis by commissioning an independent expert's report.

11 Consequently, the Independent Directors of HTAL have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) stating whether, in LEA's opinion, the Proposal is fair and reasonable to the shareholders of HTAL not associated with HWL (the non-associated shareholders).

12 LEA is independent of HTAL, HWL, Vodafone Australia and Vodafone and has no involvement with or interest in the outcome of the Proposal other than the preparation of this report.

Summary of opinion

13 In our opinion, the Proposal is fair and reasonable to the non-associated shareholders in HTAL. We therefore recommend that HTAL shareholders vote in favour of the Proposal.

[6] As at the date of this report, HWL has a relevant interest in approximately 63.16% of the HTAL ordinary shares (which includes a relevant interest held by HWL in the HTAL ordinary shares held by Leanrose Pty Limited (Leanrose) arising under a mortgage over those shares). Vodafone will acquire a further relevant interest in HTAL upon the conversion of HTAL convertible preference shares (CPS) held by HWL (via a wholly-owned subsidiary), which would increase the relevant interest of Vodafone to approximately 88.49% once all HTAL CPS on issue are converted.

14 We have formed this opinion because:

(a) the advantages of the Proposal significantly outweigh the disadvantages from the perspective of HTAL's non-associated shareholders

(b) the merger terms are fair and reasonable to HTAL shareholders.

Merger terms

15 We have assessed the value of 100% of the H3GA business prior to implementing the Proposal at $2.25 billion to $2.45 billion. This value was derived using the discounted cash flow (DCF) methodology.

16 Our assessed value of the H3GA business reflects the significant growth in earnings over the next few years projected by HTAL management[7] due to:

(a) projected increases in customer numbers
(b) higher overall margins due to the growing proportion of customers using data services; and
(c) the benefits of greater scale.

17 Our assessed value of the H3GA business is prior to deducting net debt. This is because:

(a) the terms of the merger have been agreed based on the relative values of each business before debt

(b) with the exception of the $500 million deferred payment (loan) owed by VHA to Vodafone (to equalise the agreed value difference between the H3GA and Vodafone Australia businesses), after completion the only other debt in VHA will be loans from Vodafone and a subsidiary of HWL in equal proportions and on equal terms.

18 Accordingly, the relative value contributions by each party to the merged operations can be analysed based on the value of each business, adjusted to take into account the $500 million deferred payment to Vodafone in connection with the sale of Vodafone Australia to H3GA.

19 After taking into account the deferred payment to Vodafone of $500 million, the transaction implies (based on our assessed value of H3GA) a value for the Vodafone Australia business of $2.75 billion to $2.95 billion.

[7] These projections are subject to the same qualifications described in paragraph 162 with respect to the profit and cash flow projections.

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20 Vodafone Australia is an established business that has generated a sustained earnings performance over a number of years. Based on our review of the historical earnings performance we have adopted EBITDA for Vodafone Australia for valuation purposes of $465 million. The value of the Vodafone Australia business (before debt) implied by the Proposal therefore represents an EBITDA multiple of 5.9 to 6.3, as shown below:

	Low $m	High $m
Value of Vodafone Australia business implied by Proposal	2,750	2,950
EBITDA	465	465
Implied EBITDA multiple	5.9	6.3

21 In our opinion, the implied EBITDA multiple of 5.9 to 6.3 for Vodafone Australia is reasonable when compared against the EBITDA multiples of other major listed telecommunication companies.

22 Based on the above, in our opinion, the Merger terms are fair and reasonable to HTAL shareholders.

23 Further, the value of H3GA incorporates significantly higher future earnings growth assumptions than the value of Vodafone Australia implied by the merger terms. Accordingly, in our opinion, the Proposal implies a greater level of downside risk for Vodafone shareholders than HTAL shareholders.

Position of HTAL shareholders

24 Based on the values of the H3GA and Vodafone Australia businesses set out above and the estimated pro-forma financial indebtedness of the H3GA group as at 31 December 2008, the position of HTAL shareholders on implementation of the Proposal is set out below:

	HTAL contribution to H3GA $m	Vodafone contribution to H3GA $m	Combined position pre-synergies $m
Value of business	2,350(1)	2,850(2)	5,200
Pro-forma net debt(3):			
Cash	45	45	90
Debt owed to HWL	(1,295)	-	(1,295)
Debt owed to Vodafone Subsidiaries	-	(1,795)	(1,795)
Net debt(3)	(1,250)	(1,750)	(3,000)
Value of equity contribution	1,100	1,100	2,200

Note:

1 Being the mid-point of our assessed value of the H3GA business (before debt) prior to implementation of the Proposal.

2 Being the mid-point value of the Vodafone Australia business implied by the merger terms.

3 Based on the net debt assumption adopted for the purposes of preparing the pro-forma balance sheet set out in the Explanatory Memorandum.

25 As indicated above:

(a) HTAL's equity contribution to the merged entity has a value of $1.1 billion (although this may change depending on the level of debt in the merged entity on implementation, which is to be agreed between the parties)

(b) Vodafone will make an equal equity contribution to the merged entity

(c) it is currently estimated that the merged entity will have $3.09 billion in debt, of which $1.295 billion will be owed to HWL and $1.795 billion will be owed to the Vodafone subsidiaries (including the priority loan for repayment purposes of $500 million).

26 Further, our assessed net present value of estimated operating and capital cost savings (net of additional capital expenditures, integration costs and additional brand licence fees) arising from the merger ranges from $1.2 billion to $2.3 billion (using discount rates ranging from 12% to 15% per annum after tax)[8], as shown below:

[redacted]

Low case				
Discount rate (after tax)	**12%**	**13%**	**14%**	**15%**
	$m	**$m**	**$m**	**$m**
NPV of operating and capital cost synergies	1,964	1,728	1,534	1,370
NPV of incremental licence fees	(238)	(217)	(199)	(184)
NPV of benefits net of licence fees	**1,726**	**1,511**	**1,335**	**1,186**
High case				
Discount rate (after tax)	**12%**	**13%**	**14%**	**15%**
	$m	**$m**	**$m**	**$m**
NPV of operating and capital cost synergies	2,508	2,208	1,961	1,753
NPV of incremental licence fees	(238)	(217)	(199)	(184)
NPV of benefits net of licence fees	**2,270**	**1,991**	**1,762**	**1,569**

[8] These discount rates have been adopted after consideration of the likely cost of capital of H3GA subsequent to implementation of the Proposal (adjusted to reflect the inherent uncertainty associated with the achievement of the synergies).

27 As 50% of these synergies will accrue to HTAL shareholders the implicit value of HTAL shares after implementation of the Proposal increases by $875 million (based on the mid-point of the synergy value)[9], as shown below:

		Mid-point $m
Value of HTAL equity in H3GA before implementation of Proposal	(a)	1,100
Value of HTAL equity in H3GA after implementation of Proposal:		
Value of H3GA equity post implementation		2,200
Value of synergies (net) [(1) (2)]		1,750
Value post implementation[(2)]		3,950
HTAL ownership interest		50%
Value of HTAL equity post implementation	(b)	1,975
Increase in value of HTAL	(b) – (a)	875

Note:
1 Net of integration costs, additional capital expenditures and additional brand licence fees.
2 Ignoring potential cost of capital reductions which should further increase the value of the merged entity.

Other advantages and disadvantages

28 Other advantages and disadvantages of the Proposal as identified by us are summarised below:

Other advantages

(a) the increased size and strength of the merged company should allow it to pursue growth opportunities not available to either company on a standalone basis

(b) the risk profile of the merged company will be reduced due to its increased size, significantly higher cash flows and stronger financial position

(c) the merger should significantly enhance the prospects of H3GA (VHA) being able to obtain external debt finance (without shareholder support), reducing the merged group's cost of capital and increasing value

9 Assuming comparable market conditions.

(d) the capacity of HTAL to pay dividends in future is significantly enhanced if the Proposal is approved (although HTAL is unlikely to be in a position to pay dividends for a number of years)

Disadvantages

(e) the Proposal involves HWL, HTAL and Vodafone entering into a Shareholders Agreement which will limit the ability of HWL to dispose of its shares in HTAL and HTAL to dispose of its shares in VHA

(f) the limit of HWL's ability to dispose of its shareholding in HTAL also means that the non-associated shareholders in HTAL are unlikely to receive a takeover offer from a third party during the term of the Shareholders Agreement. However, in our opinion, this disadvantage is minor because HWL is more likely to make a takeover offer for all the shares in HTAL rather than sell its shareholding

(g) there is an inherent risk that H3GA's income tax losses may not be able to be utilised by the merged group as a result of implementing the Proposal

(h) certain rights held by HTAL regarding the appointment of directors and veto rights regarding major policy matters in connection with H3GA will be reduced or lost in the event that HWL's "Effective Interest" in H3GA (being essentially the sum of its direct and indirect shareholding interest in H3GA, expressed as a percentage) falls below 33.5%.

(i) HTAL shareholders will lose the benefit of the interest free loan currently made by HWL to H3GA if the Proposal is approved (although we understand this benefit was temporary in nature and would have been lost in the short-term in any event).

Vodafone's relevant interest in HTAL

29 Under the Proposal Vodafone will be deemed to have acquired a relevant interest in HWL's shares in HTAL arising from the restriction on the disposal of HTAL shares by HWL. However, it should be noted that:

(a) Vodafone is not actually acquiring a shareholding in HTAL

(b) Vodafone will not have any beneficial ownership interest in HTAL shares, nor any control over the voting rights attached to HWL's shares in HTAL.

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General

30 The ultimate decision whether to approve the Proposal should be based on each HTAL shareholder's assessment of their own circumstances. If HTAL shareholders are in doubt about the action they should take in relation to the Proposal or matters dealt with in this report, HTAL shareholders should seek independent professional advice. For our full opinion on the Proposal and the reasoning behind our opinion, we recommend that HTAL shareholders read the remainder of our report.

Yours faithfully

Craig Edwards	Martin Holt
Authorised Representative	Authorised Representative

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I The Proposal

Summary

31 On 9 February 2009 Hutchison Telecommunications (Australia) Limited (HTAL) and Vodafone Group Plc (Vodafone) announced that they had agreed to merge their telecommunications businesses in Australia, Hutchison 3G Australia Pty Limited (H3GA) and Vodafone Australia Limited (Vodafone Australia) (the Proposal).

32 Under the Proposal:

(a) each of Vodafone and HTAL will own 50% of H3GA, which will own and operate H3GA's business and wholly-own Vodafone Australia. On completion of the merger, H3GA will be re-named VHA Pty Limited (VHA)

(b) H3GA, under its new name VHA, will market its products and services under the Vodafone brand and have exclusive rights to use the Vodafone brand in Australia from implementation of the Proposal until three years after the date on which Vodafone ceases to have any direct or indirect shareholding interest in VHA, and in respect of that arrangement Vodafone will receive an annual brand licensing fee from VHA equal to 1% of service revenues

(c) H3GA, under its new name VHA, will also retain exclusive rights to use the "3" brand in Australia and non-exclusive rights to use the "Hutchison Telecoms" brand for three years from completion, and in respect of those rights H3GA will pay total licence fees of $30 million

(d) in addition to Vodafone subsidiaries who currently hold the shares in Vodafone Australia (being Vodafone Oceania Ltd, Vodafone Belgium SA and Vodafone International Holdings BV (the Vodafone Shareholders)) acquiring a 50% shareholding interest in H3GA:

  (i) the Vodafone Shareholders will receive a cash payment of $500 million to equalise the agreed value difference between the value of the H3GA and Vodafone Australia businesses. This payment will be funded by a $500 million loan to H3GA, from a wholly-owned subsidiary of Vodafone. The loan will be on arm's length terms and must be repaid or refinanced within 12 months from implementation of the Proposal, extendable to 18 months at H3GA's request. Repayment of the loan will take precedence over any H3GA shareholder returns and over repayment of principal and interest on other shareholder loans to H3GA

(ii) upon implementation of the Proposal, cash and cash equivalents in H3GA and Vodafone Australia will be cleared. Also, upon implementation, H3GA will enter into separate loans for equivalent amounts from a subsidiary of Vodafone and a subsidiary of Hutchison Whampoa Limited (HWL) (which is the majority shareholder of HTAL), each of which will be on arm's length terms, have a five year maturity date and be subordinated to the $500 million loan. H3GA will pay the amount received under the Vodafone loan to entities within the Vodafone group[10]

(e) both HWL and Vodafone will be paid estimated fees of $7.5 million per annum and $40 million per annum respectively in connection with services provided for a transitional period of up to two years after implementation of the Proposal. We understand that these fees were determined after arm's length negotiation between HWL, HTAL and Vodafone. In the event that the services are no longer required beyond the two year transitional period we understand that H3GA will be able to terminate the services (other than certain core services from Vodafone which H3GA must continue to use).

33 The parties intend that the ongoing aspects of the Proposal be effected by HWL, HTAL, Vodafone and H3GA[11] entering into a Shareholders Agreement. It is proposed that the Shareholders Agreement includes an undertaking to be given by HWL to Vodafone that limits the ability of HWL to dispose of its shares in HTAL, and of HTAL to dispose of its shares in VHA. Vodafone will provide a broadly parallel undertaking as regards its interest in wholly-owned subsidiary companies holding investments in VHA, and as regards the shareholding interest of the subsidiary companies in VHA.

34 In broad terms, the disposal restrictions in the Shareholders Agreement provide that:

(a) during an initial period of three years, neither HTAL or Vodafone Shareholders can dispose of their direct shareholding in VHA. Subsequent to that period either shareholding party wishing to dispose of its interest in VHA is subject to pre-emptive, tag along and exit rights set out in the Shareholders Agreement[12]; and

[10] For the purposes of our report we have assumed that, after completion, the only debt in VHA will be the $500 million loan, and loans (as described in this sub-paragraph (ii)) from subsidiaries of Vodafone and HWL for equivalent amounts. The amount of these loans is yet to be confirmed.
[11] Including respective wholly owned subsidiary companies of HTAL and Vodafone that are or will be the registered holders of H3GA shares.
[12] These rights are more fully described in the Explanatory Memorandum.

(b) during the term of the Shareholders Agreement, neither HWL or Vodafone can dispose of its indirect shareholding in VHA (including, in the case of HWL, HTAL shares and, in the case of Vodafone, the shares in the Vodafone Shareholders) except pursuant to the pre-emptive, tag along and exit rights set out in the Shareholders Agreement.

35 Additional features of the Shareholders Agreement include:

(a) a maximum of 10 directors on the VHA Board, with equal shareholder representation

(b) for as long as HWL and Vodafone's "Effective Interest" in H3GA (being essentially the sum of their respective direct and indirect shareholding interest in H3GA, expressed as a percentage) is at least 33.5%, unanimous approval by the VHA shareholders (via their directors on the VHA board) is required in respect of major policy matters e.g. changes in share capital, creation of security interests over assets, sales and disposals of assets, entry into material contracts and commencing or settling material litigation

(c) funding for the future operations of the VHA business to be derived (in the first instance) from internal cash flows.

Conditions

36 The Proposal is subject to a number of conditions, including the approval of the FIRB, the ACCC, the European Commission and HTAL shareholders. Further detail on the conditions is set out in the Explanatory Memorandum.

37 In addition, pursuant to the Implementation Agreement (as amended), HWL, HTAL and Vodafone have agreed that they will not:

(a) solicit, encourage or initiate any competing transaction (the no shop restriction)

(b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction

(c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction.

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38 The exclusivity obligations above (except for the no shop restriction) do not apply to the extent that:

(a) they restrict the HTAL Board from taking or refusing to take any action with respect to a bona fide competing proposal (which is in writing and was not solicited, invited, encouraged or initiated in contravention of the restrictions), provided that the competing proposal involves the proposed acquisition of more than 50% of HTAL ordinary shares, or a merger or amalgamation or acquisition of control of HTAL involving an acquisition of HTAL shares, and could reasonably be considered to be a superior proposal; or

(b) the HTAL Board, acting reasonably after receiving written legal advice, has determined that complying with the exclusivity restrictions above (except for the no shop restriction) would be likely to constitute a breach of the directors' fiduciary or statutory duties

and none of the restrictions continue to apply in respect of HTAL shares if HTAL shareholders do not approve the Proposal.

39 HTAL must pay a break fee of $20.55 million to Vodafone if certain events occur, which generally relate to a failure to obtain HTAL shareholder approval for the Proposal combined with the recommendation by a majority of the HTAL Board of a competing proposal.

40 Break fees are also payable by HWL to Vodafone in certain circumstances. The total amount which may be payable by HWL and HTAL to Vodafone in the form of break fees is capped at $41.1 million.

41 A break fee of $41.1 million is payable by Vodafone to HWL in certain circumstances.

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II Scope of our report

Purpose

42 A person has a relevant interest in shares where they have the power to dispose of, or control the exercise of the power to dispose of shares. If the Proposal is approved and all conditions are satisfied, Vodafone will acquire a relevant interest in the HTAL shares in which HWL has a relevant interest[13].

43 Section 606 of the Corporations Act 2001 (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%. There are various exceptions to this general prohibition, including the acquisition of a relevant interest:

(a) pursuant to acceptances under a takeover offer; and

(b) following the approval, pursuant to Section 611 item 7 of the Corporations Act, by a majority of securityholders of the entity at a general meeting where no votes are cast in respect of securities held by the acquirer or disposer or any of their respective associates.

44 ASIC Regulatory Guides 74 and 111 set out the views of ASIC on the operation of the shareholder approval regime in Section 611 item 7 of the Corporations Act. With respect to the Resolution to be put to HTAL shareholders, the Regulatory Guides require that the HTAL shareholders be provided with, amongst other things, an analysis of whether the Proposal is fair and reasonable when considered in the context of the interests of the HTAL shareholders not associated with HWL. Regulatory Guide 74 states that the Directors may satisfy their obligations to provide such an analysis by commissioning an IER.

45 Consequently, the Independent Directors of HTAL have requested that LEA prepare an IER stating whether, in LEA's opinion, the Proposal is fair and reasonable to the shareholders of HTAL not associated with HWL (the non-associated shareholders).

46 This report has been prepared to assist the Independent Directors of HTAL in making their recommendation to the shareholders of HTAL not associated with HWL, and to assist these shareholders assess the merits of the Proposal.

[13] As at the date of this report, HWL has a relevant interest in approximately 63.16% of the HTAL ordinary shares (which includes a relevant interest held by HWL in the HTAL ordinary shares held by Leanrose arising under a mortgage over those shares). Vodafone will acquire a further relevant interest in HTAL shares upon the conversion of HTAL CPS held by HWL (via a wholly-owned subsidiary), which would increase the relevant interest of Vodafone to approximately 88.49% once all HTAL CPS on issue are converted.

47 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Proposal should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposal or matters dealt with in this report, HTAL shareholders should seek independent professional advice.

Basis of assessment

48 In preparing our report, we have given due consideration to ASIC Regulatory Guide 111 – *Content of Expert Reports*.

49 ASIC Regulatory Guide 111 states that a change of control transaction requiring approval under item 7 of section 611 of the Corporations Act[14] should be analysed as if it were a takeover bid under Chapter 6. Accordingly, the expert is required to assess the transaction in terms of the convention established for takeovers pursuant to section 640 of the Corporations Act, being:

(a) is the offer "fair" and

(b) is it "reasonable".

50 When assessing takeovers, an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. Further, this comparison should be made assuming 100% ownership of the company and is irrespective of whether the offer is cash or scrip.

51 An offer is "reasonable" if it is fair. An offer may also be reasonable if, despite being "not fair", there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

52 However, in our opinion, it is not appropriate to assess the Proposal as a takeover bid. This is because:

(a) while Vodafone acquires a relevant interest in more than 20% of HTAL shares it will not have any beneficial ownership interest in those shares, nor any control over the voting rights attached to those shares

(b) no takeover offer will be made to HTAL shareholders under the Proposal.

[14] In particular, the acquisition of a relevant interest of greater than 20% in a company.

53 Consequently in LEA's opinion, the most appropriate basis upon which to evaluate the Proposal is to consider all the circumstances of the Proposal and compare the likely advantages and disadvantages to non-associated HTAL shareholders if the Proposal is agreed to with the advantages and disadvantages to those shareholders if it is not.

54 If the advantages of the Proposal exceed the disadvantages it is appropriate for us to conclude that the Proposal is "fair and reasonable" to the non-associated shareholders of HTAL.

55 Our report has therefore considered a range of both qualitative and quantitative factors relevant to the consideration of whether the Proposal is fair and reasonable to the non-associated shareholders in HTAL, including:

(a) the value of H3GA

(b) the value of the assets / business being contributed to the merged entity by Vodafone Australia

(c) the relative value contributions in comparison with the merger terms

(d) the value of capital and operating cost savings and synergies likely to be generated should the Proposal proceed

(e) the likely impact of the Proposal on the value of HTAL shares

(f) the likely impact of the Proposal on HTAL's future earnings and net tangible asset backing per share

(g) the potential for a market re-rating of the shares in HTAL

(h) the impact of the Proposal on the control of HTAL

(i) the impact of the Proposal (if any) on the potential for the non-associated shareholders in HTAL receiving a takeover bid

(j) the impact of the Lock-up Arrangement on the non-associated shareholders in HTAL

(k) a comparison of the position of the non-associated shareholders in HTAL before and after implementation of the Proposal

(l) consideration of other risks and opportunities, advantages and disadvantages.

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Limitations and reliance on information

56 Our opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods and are particularly volatile at the present time.

57 Our report is based upon financial and other information provided by HTAL. We have considered and relied upon this information and believe that the information provided is reliable, complete, prepared on reasonable grounds, not misleading and does not reflect any material bias. We have no reason to believe that material facts have been withheld from us.

58 The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposal is fair and reasonable to HTAL's shareholders not associated with HWL.

59 However, in assignments such as this time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken by us.

60 We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalent to International Financial Reporting Standards (AIFRS).

61 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

62 We in no way guarantee the achievability of budgets or projections of future profits and cash flows. Budgets and projections are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from projections.

63 We have assumed that the earnings and cash flows projections have been prepared fairly and honestly, based on reasonable grounds and the information available to management at the time and within the practical constraints and limitations of such projections. We have assumed that management have reasonable grounds for the projections and the projections do not reflect any material bias. We have no reason to believe that these assumptions are inappropriate.

64 In forming our opinion, we have also assumed that:

(a) the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects

(b) if the Proposal is approved it will be implemented in accordance with the terms set out in this report.

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III Profile of HTAL

Overview

65 HTAL provides wireless communications and multimedia services in Australia and launched Australia's first third generation (3G) mobile network in 2003 under the global brand '3'. As at 31 December 2008 more than 2.0 million customers were connected to HTAL's 3G network, which provides services such as live mobile TV, full length audio and music tracks, mobile broadband, video calling and other information and entertainment services[15], in addition to voice calls and messaging services.

History

66 HTAL was established in 1989, and began operations as a paging company. However, as demand for mobile services grew, HTAL invested in and developed a highly successful GSM resale business (which it divested in 2001). A summary of HTAL's history is set out in the table below:

HTAL - history

Calendar Year	Description
1999	• Following the procurement of 800 megahertz spectrum licences in 1998, HTAL undertook an Initial Public Offering (IPO) and listed on the Australian Securities Exchange (ASX) on 17 August 1999. The offering, which raised net proceeds of approximately $215 million, principally financed the development, construction and operation of HTAL's wireless CDMA network. • HTAL's CDMA wireless mobile network was marketed under the "Orange" brand and offered mobile telephony services in and around Sydney and Melbourne.
2000	• The service was launched in 2000 and although HTAL's spectrum licences were limited to the greater metropolitan areas of Sydney and Melbourne, HTAL had (prior to launch) entered into a roaming agreement with Telstra that enabled customers to roam onto Telstra's national CDMA network when outside Sydney and Melbourne. • In March 2000, HTAL acquired 1.8 GHz spectrum licences in Sydney, Melbourne, Brisbane, Adelaide and Perth for $671 million. While short-term funding was provided by HWL, the acquisition of the licences was ultimately funded by the proceeds of a rights issue that the company undertook in mid 2000.

[15] 3's broadband zones are available in most parts of Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra and the Gold Coast. In the first half of 2009 it is expected that 3 will be able to provide customers with access to 3G services in areas covering 96% of the population.
[16] Lacy, C., Ruling may hit spectrum sale, Australian Financial Review, 8/6/2000, pg 7.

HTAL - history	
Calendar Year	**Description**
	• On 7 June 2000 the International Telecommunication Union broadened the spectrum available for the delivery of 3G services. As a result of the decision, HTAL could use its 1.8 GHz spectrum licences to provide 3G services[16].
2001/2002	• In March 2001, HTAL acquired additional spectrum in the 2.1 GHz band at a total cost of $196.1 million. The licences covered the areas of Sydney, Melbourne, Brisbane, Adelaide and Perth. • In May 2001 HTAL and Telecom Corporation of New Zealand Limited (TCNZ) announced the formation of a major strategic alliance. The key feature of the alliance in Australia was the formation of a dedicated 3G company, Hutchison 3G Australia Pty Limited (H3GA), to develop 3G services in Australia. TCNZ subscribed $400 million for a 19.94% stake in H3GAH (the holding company for H3GA). HTAL undertook to provide $600 million which it raised via a rights issue of convertible notes in July 2002.
2003	• HTAL, through H3GA, launched Australia's first third generation W-CDMA network in April 2003. This technology enables significantly faster data speeds than older mobile technologies allowing multimedia services such as video streaming, sports footage, internet access and entertainment to be provided.
2004	• On 4 August 2004, HTAL announced that (its subsidiary) H3GA had reached agreement with Telstra for the joint ownership and operation of H3GA's existing 3G radio access network, as well as the funding of future network development. Under the agreement the H3GA radio access network became the core asset of the joint venture and Telstra paid HTAL approximately $450 million for a 50% ownership interest in the asset. • On 18 August 2004 HTAL announced that H3GA had put in place a $1.5 billion five year bank facility to refinance the short-term facilities and to provide working capital and support for the company's 3G business.
2006	• On 1 February 2006 HTAL announced that it had joined its mobile services, Orange and 3, under the single brand 3, and planned to upgrade Orange customers from its 2G CDMA network. Subsequently, on 9 May 2006, HTAL announced that its CDMA network would close on 9 August 2006.
2007	• In March 2007 HTAL announced a major recapitalisation which raised approximately $2.85 billion (before costs) in new equity capital by way of a pro-rata rights issue of Convertible Preference Shares (CPS) to existing shareholders at 21 cents per share. • On 3 August 2007 HTAL announced a proposal whereby TCNZ would transfer is 19.94% interest in H3GAH in consideration for a 10% interest in HTAL. Following shareholder approval this

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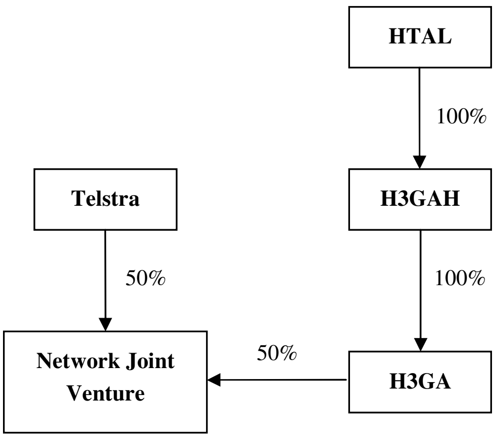
HTAL - history	
Calendar Year	**Description**
	transaction was completed on 22 October 2007. • On 22 October 2007 HTAL also granted an option to TCNZ that enabled TCNZ to acquire further ordinary shares and CPS in HTAL that would be equivalent to approximately 9.94% of the enlarged share capital. The consideration for the grant of the option was the transfer to HTAL of certain radio communications spectrum licences[17].
2008	• On 19 August 2008 HTAL announced that H3GA had entered into an agreement with Telstra to extend its current roaming agreement whereby 3G roaming will be included on Telstra's 850MHz network from the second quarter of 2009. This agreement together with site builds by H3GA, is planned to provide H3GA's customers access to 3G services in areas covering 96% of the population from the previous 56%. • The option granted to TCNZ on 22 October 2007 that enabled it to acquire further ordinary shares and CPS in HTAL that would be equivalent to approximately 9.94% of the enlarged share capital expired on 31 December 2008 without TCNZ exercising its option.

67 Following these transactions the structure of the HTAL Group prior to the announced Proposal is as follows:



[17] Source: page 3 of HTAL Notice of Extraordinary General Meeting and Explanatory Memorandum dated 30 August 2007.

Financial performance

68 A summary of HTAL's reported historical operating performance for the five years ended 31 December 2008 is set out below. These results are as reported by HTAL. However, we note that the EBITDA and EBIT numbers below actually include interest income. For example in FY08 the reported EBITDA of $200.0 million included interest income of $9.6 million:

HTAL - financial performance

Year to 31 December	2004 Audited $m	2005 Audited $m	2006 Audited $m	2007 Audited $m	2008 Audited $m
Sales revenue[1]	767.9	907.3	1,055.7	1,315.4	1,613.4
Cash EBITDA[2]	(464.2)	(188.7)	12.0	67.7	149.8
Capitalisation of CAC & CRC[3]	34.5	14.5	18.2	46.3	50.2
Reported EBITDA[4]	(429.7)	(174.2)	30.2	114.0	200.0
Depreciation & amortisation	(256.1)	(243.3)	(208.5)	(209.4)	(212.2)
Amortisation of CAC & CRC	(20.1)	(25.8)	(8.4)	(28.5)	(46.3)
EBIT	(705.9)	(443.3)	(186.7)	(123.9)	(58.5)
Interest expense	(174.8)	(227.1)	(264.8)	(161.2)	(104.6)
Loss before tax & significant items	(880.7)	(670.4)	(451.5)	(285.1)	(163.1)
Significant items[5]	53.8	17.6	(307.9)	-	-
Income tax expense	(0.1)	-	-	-	-
Net loss attributable to minority interests	136.9	105.5	-	-	-
Loss after tax[6]	(690.1)	(547.3)	(759.4)	(285.1)	(163.1)
Key performance indicators:					
Mobile customer numbers[7]:					
Orange (000s)	426	381	-	-	-
3G Network (000s)	413	654	1,245	1,578	2,036
	839	1,035	1,245	1,578	2,036
Mobile broadband subscribers (000s)	n/a[8]	n/a[8]	n/a[8]	195	526
ARPU[9]	$70	$67	$67	$69	$67
Margin[10]	$45	$48	$49	$52	$51
3G customer acquisition cost[11]	$416	$402	$274	$263	$238

Note:

1 Represents revenue from operating activities and excludes interest income and other non-operating revenue.

2 Represents EBITDA prior to the capitalisation of customer acquisition costs (CAC) and customer retention costs (CRC).

3 CAC and CRC stands for customer acquisition costs and customer retention costs.

4 EBITDA excludes the profit (loss) on significant items.

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5 Significant items include net foreign exchange gains and a gain on the sale of radio access network infrastructure to Telstra of $40.3 million (FY04) and $17.1 million (FY05). CDMA network closure costs of $307.9 million were provided for in FY06.

6 Net profit (loss) after tax attributable to HTAL shareholders after minority interests.

7 Customer numbers reflect active mobile customers at the end of the period and exclude paging and information services.

8 Average revenue per user (ARPU) represents rolling 12 months average revenue per user, per month at the end of the period across pre and post-paid customers.

10 Margin represents rolling 12 month average margin per customer, across pre and post-paid customers, per month at the end of the period. Margin represents service revenue less interconnect and variable content costs.

11 Customer acquisition cost represents the average direct costs, including commissions, promotional credits and handset subsidies associated with acquiring each new customer for the period.

69 Capitalised customer acquisition costs (CAC) and customer retention costs (CRC) are direct costs of establishing and renewing customer contracts (other than handset subsidies which are expensed when incurred). These costs are capitalised and amortised over the lesser of the period during which the future economic benefits are expected to be obtained and the period of the contract. The direct costs include commissions paid for obtaining customer contracts and other directly attributable costs.

70 HTAL has demonstrated strong revenue growth over the last five years, with the results having been primarily driven by the launch of the third generation mobile service "3". This service has seen its customer base grow rapidly since its launch in 2003.

71 As stated above the 2G CDMA network was closed on 9 August 2006 and Orange (2G) customers have been upgraded to the 3G network. 2G CDMA network closure costs of $307.9 million were incurred in the year ended 31 December 2006.

Year ended 31 December 2006

72 Positive EBITDA (before significant items) was reported for the first time in the year ended 31 December 2006. This was primarily due to:

(a) a 20.3% increase in total mobile customers

(b) improvements in monthly churn rates, with post-paid customer churn in the 3G business falling to 1.1% (compared with 2.1% in the prior corresponding period)

(c) reductions in operating costs, in part due to the commencement of cost rationalisation associated with the closure of the CDMA network and lower customer acquisition costs (which fell to $274 for each new 3G customer from $402 in 2005).

Year ended 31 December 2007

73 Positive EBITDA (before significant items) increased further to $114 million in the year ended 31 December 2007. This was primarily due to:

(a) a 26.7% increase in total mobile customers from the previous corresponding period

(b) an increase in the percentage of customers billed for non-voice services excluding SMS to 64%, due to the launch of new services including High-Speed Downlink Packet Access (HSDPA), X-Series and high speed mobile broadband.

74 Finance costs decreased by $103.6 million due to the raising of $2.85 billion (before costs) from the issue of CPS which were used to retire debt.

Year ended 31 December 2008

75 In FY08 HTAL increased sales revenue by 23.1% to $1.62 billion and EBITDA by 75.4% to $200.0 million. This performance reflected significant increases in customer numbers and higher overall margins due to the growing proportion of customers using data services and the benefits of greater scale.

76 3G customer numbers increased 29.0% to 2,036,000 despite strong incumbent competition in the mobile market, which included the continuation of high hand-set subsidies and significant competitor advertising.

77 Mobile broadband subscribers grew 169.7% to 526,000. At the start of 2008 HTAL introduced half price mobile broadband and throughout the year increased data allowances on its plans, which attracted more customers and generated increased data usage.

78 In addition to maintaining strong customer growth, external churn remained at industry low levels with post-paid monthly churn at 1.2% in FY08, consistent with FY07.

79 Finance costs fell by $56.6 million to $104.6 million reflecting the full year benefits of the recapitalisation in 2007.

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Outlook for FY09

80 HTAL expects to achieve further significant growth in EBITDA in FY09 driven by further increases in customer numbers and the benefits of greater scale[18].

81 In the first half of 2009 3 also expects to provide its customers with access to 3G services in areas covering 96% of the population. Network expansion plans include building new coverage where there is currently high roaming and 3G roaming on parts of Telstra's 850 MHz network.

Cash flow

82 We summarise below HTAL's consolidated cash flow statement:

HTAL – summary of consolidated cash flow statement

	Year ended 31 December				
	2004 Audited $m	2005 Audited $m	2006 Audited $m	2007 Audited $m	2008 Audited $m
Cash flows from operating activities:					
Operating cash flow before interest	(542.9)	(211.0)	(181.3)	153.1	564.0
Net interest paid	(153.8)	(215.9)	(222.1)	(194.5)	(119.4)
Net cash inflow / (outflow) from operating activities	(696.7)	(426.9)	(403.4)	(41.4)	444.6
Cash flows from investing activities:					
Proceeds from sale of radio access network infrastructure	22.5	424.6	-	-	-
Capital expenditure and other items	(341.0)	(210.5)	(169.8)	(287.8)	(243.0)
Net cash inflow / (outflow) from investing activities	(318.5)	214.1	(169.8)	(287.8)	(243.0)
Cash flows from financing activities:					
Net movement in borrowings	1,047.8	263.3	479.4	(2,499.3)	(100.0)
Repayment of finance leases	(2.7)	(2.8)	(3.1)	(2.8)	(1.8)
Issue of CPS	-	-	-	2,842.6	-
Net cash inflow / (outflow) from financing activities	1,045.1	260.5	476.3	340.5	(101.8)
Net increase / (decrease) in cash	29.9	47.7	(96.9)	11.3	99.8

83 As indicated above HTAL generated its first positive operating cash flow before interest in FY07.

[18] This EBITDA expectation is subject to the same qualifications described in paragraph 162 with respect to the profit and cash flow projections.

84 In FY08 cash generated from operations (after finance costs) was $444.6 million. However, in part, this reflected the benefit from the increase in payables from $474.8 million as at 31 December 2007 to $839.8 million as at 31 December 2008. This increase principally reflected favourable payment terms with HWL for the provision of handsets and other services.

85 Net interest costs have fallen significantly from 1 July 2007 as a result of the issue of CPS and related repayment of debt (which took place in June 2007).

Financial position

86 The audited financial position of HTAL as at 31 December 2008 is set out below:

HTAL - statement of financial position	$m
Cash	134.7
Receivables	351.5
Inventories	60.2
Derivative financial instruments	1.0
Other	44.1
Total current assets	591.6
Receivables	205.3
Investment accounted for using the equity method	8.5
Property, plant and equipment	1,039.7
Intangible assets	912.0
Other	2.8
Total non-current assets	2,168.4
Total assets	2,760.0
Payables	839.8
Interest bearing liabilities	2.1
Provisions	3.4
Other	1,004.1
Total current liabilities	1,849.4
Provisions	2.1
Total non-current liabilities	2.1
Total liabilities	1,851.5
Net assets	908.5

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87 Intangible assets represent spectrum licenses, capitalised customer acquisition costs, capitalised development and transmission costs, and goodwill. Spectrum licences had a carrying value of $509.7 million as at 31 December 2008.

88 Other current liabilities include a $1 billion loan from HWL. The amount owed to HWL is re-payable on demand and is currently interest free.

Share capital

89 HTAL had 754,028,255 ordinary shares and 15,080,565,089 convertible preference shares (CPS) on issue as at 31 January 2009.

90 The terms of the CPS are set out below:

HTAL - terms of the CPS	
Issue price	21 cents per CPS, being the VWAP of HTAL shares ten days prior to the announcement of the share offer
Term	5 years subject to early conversion
Ranking	Senior to ordinary shares, subordinated to senior debt
Voting rights	None, except in limited circumstances including where a dividend is declared but not paid within 20 days of the dividend payment date, the company is being wound up or where the proposal affects the rights attaching to the CPS[19]
Conversion ratio	0.85 ordinary shares for every CPS[20]
Conversion by holder	Are convertible (at the option of the holder) into 0.85 ordinary shares for each CPS[21] either: • after expiry of the two year non-conversion period during a conversion window of 10 business days commencing on the first day of each calendar quarter; or • upon a takeover offer being made for HTAL; or • upon a change of control of HTAL; or • following an announcement by HTAL of a major disposal of its assets
Conversion by HTAL	HTAL may cause the CPS to be converted in the event of: • a takeover offer being made • a change in control of HTAL • a regulatory change affecting the CPS, including a change to the tax or accounting treatment of the CPS
Mandatory Conversion Date	5 years after date of issue (trading commenced on 13 June 2007)
Dividend	Each CPS is entitled to a non-cumulative preferential dividend equal to 5% per annum of the issue price, subject to the directors determining in their discretion that a dividend is payable under rule 5.1 of the Constitution of HTAL. Dividend payment is therefore subject to sufficient profit or retained earnings and Board decision (but not expected for several years)

[19] Refer Explanatory Memorandum.
[20] Subject to adjustment for bonus and rights issues and certain other dilutive events (as explained in the Explanatory Memorandum).
[21] Subject to adjustment for bonus and rights issues and certain other dilutive events (as explained in the Explanatory Memorandum).

91 Upon implementation of the Proposal, there will be a "Change of Control Event" under the terms of issue of the CPS which will give both the holders of CPS and HTAL the right to elect to convert the CPS. We understand that all CPS will be converted at that time.

92 HTAL also has 28,000,000 unlisted options outstanding which are held by employees, as set out below:

HTAL – options outstanding			
Expiry date	Issue date	Exercise price $	Number of options
13 June 2012	14 June 2007	0.145	27,400,000
13 November 2012	14 November 2007	0.20	300,000
3 June 2013	4 June 2008	0.139	300,000
Total			28,000,000

Significant shareholdings

93 The following table sets out HTAL's top ten ordinary shareholders as at 6 February 2009:

HTAL - top 10 shareholders	HTAL shares	% interest
Hutchison Communications (Australia) Pty Limited[(1)]	392,353,358	52.0
Leanrose Pty Ltd	83,913,797	11.1
Telecom 3G (Australia) Limited	75,402,826	10.0
Citicorp Nominees Pty Limited	12,282,692	1.6
HSBC Custody Nominees (Australia) Limited	9,633,551	1.3
J P Morgan Nominees Australia Limited	6,976,230	0.9
National Nominees Limited	3,526,122	0.5
Arjee Pty Ltd	2,731,824	0.4
Mr Yet Kwong Chiang	2,700,138	0.4
Mr George Thomson	2,470,883	0.3
Top 10 shareholders	591,991,421	78.5
Total shares outstanding	754,028,255	100.0

Note:
1 Hutchison Communications (Australia) Pty Limited (HCAPL) is a wholly owned subsidiary of HWL.

94 The major CPS shareholders as at 6 February 2009 were HCAPL (89.9%) and Telecom 3G (Australia) Limited (a subsidiary of Telecom Corporation of New Zealand Limited) (10.0%).

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95 Following the conversion of all CPS to ordinary shares (which we understand will occur if the Proposal is implemented) HWL (via HCAPL) will own 87.87% of the ordinary shares in HTAL.

Share price performance

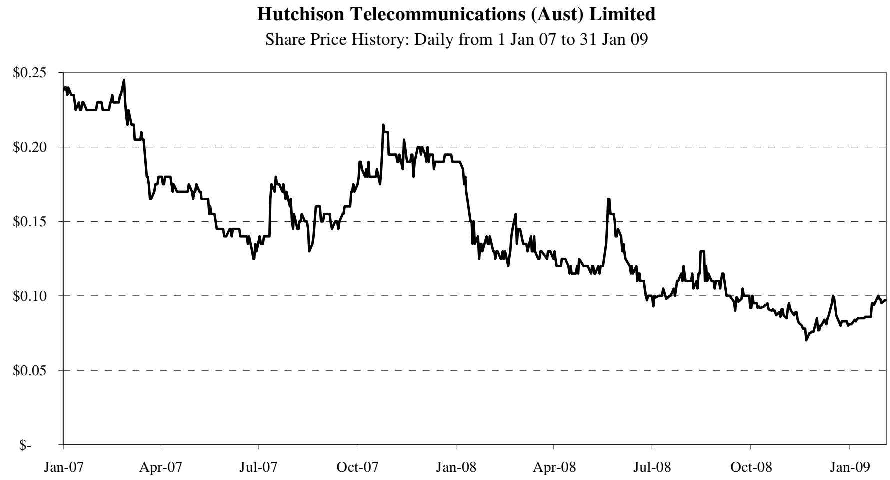
96 The price of HTAL ordinary shares from 1 January 2007 to 31 January 2009 is summarised in the table below:

HTAL - share price performance

	High $	Low $	Close $	Monthly volume(1) 000
Quarter ended				
March 2007	0.25	0.17	0.18	12,082
June 2007	0.18	0.13	0.13	12,059
September 2007	0.18	0.13	0.17	15,693
December 2007	0.22	0.17	0.19	6,501
Month				
January 2008	0.20	0.12	0.14	8,270
February 2008	0.17	0.12	0.15	9,431
March 2008	0.15	0.13	0.13	2,810
April 2008	0.13	0.12	0.12	3,060
May 2008	0.17	0.12	0.15	12,609
June 2008	0.15	0.10	0.10	21,036
July 2008	0.12	0.09	0.12	6,589
August 2008	0.13	0.11	0.11	7,013
September 2008	0.12	0.09	0.09	7,761
October 2008	0.10	0.09	0.09	7,021
November 2008	0.10	0.07	0.08	2,405
December 2008	0.10	0.08	0.08	4,097
January 2009	0.10	0.08	0.10	1,271

Note:
1 Monthly volumes for the quarter ended represent average monthly volumes.

97 The following graph illustrates the movement in HTAL's share price from 1 January 2007 to 31 January 2009:



98 In March 2007 HTAL announced a 20 for 1 renounceable rights issue of CPS to raise $2.85 billion before costs. During the offer period the ordinary share price fell, in part due to the size of the rights issue.

99 The HTAL share price fell sharply in January 2008, coinciding with large falls in world equity markets. Further significant falls in world equity markets occurred from September 2008. As at 30 January 2009 the ASX S&P 200 Index had fallen some 47.6% from its high in November 2007.

100 As HWL owns nearly 90% of the CPS on issue, the CPS rarely trade despite being listed on the ASX. The CPS last traded in May 2008.

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IV Profile of Vodafone Australia

Overview

101 Vodafone Australia provides wireless communications and multimedia services in Australia and operates both a second generation (2G) GSM network, and a third generation (3G) mobile network (including certain network assets held jointly with Optus). Vodafone Australia's network provides services such as live mobile TV, full length audio and music tracks, mobile broadband, video calling and other information and entertainment services, in addition to voice calls and messaging services. As at 31 December 2008 Vodafone Australia had more than 3.9 million direct customers along with 0.3 million mobile virtual network operator (MVNO) customers.

102 Vodafone Australia has approximately 18% of the mobile market[22] and its GSM mobile network covers approximately 93% of the Australian population. Its products are distributed through a range of wholly-owned and controlled retail stores, as well as both exclusive and independent dealers, and mass retail outlets. Vodafone has 208 fully-branded and controlled retail stores[23] and is a 100% owner of Crazy Johns[24] with 95 retail outlets.

History

103 Vodafone Australia was awarded the third Australian mobile telecommunications carrier licence in December 1990. In September 1993 Vodafone Australia began providing GSM mobile services with network coverage in Sydney, Melbourne and Canberra. By March 1994, the mobile network was extended to the cities of Brisbane, Adelaide and Perth. A summary of Vodafone Australia's more recent history is set out in the table below:

Vodafone Australia - history

Date	Announcement
October 2005	• Vodafone Australia launches 3G network in Sydney and Melbourne
November 2005	• Vodafone Australia re-enters the contract customer market offering free handsets for high value contract customer acquisition
March 2006	• Vodafone Australia launches 3G network in Brisbane and the Gold Coast
June 2006	• Vodafone Australia launches 3G network in Adelaide and Perth
July 2006	• Vodafone Online Music Store provides access to more than 500,000 mobile music tracks

[22] Based on subscriber numbers.
[23] Retail stores fully controlled by Vodafone Australia, but operated by partner organisations on their behalf.
[24] Mobileworld Communications Pty Limited and its subsidiaries (trading as 'Crazy Johns').

Vodafone Australia - history	
Date	**Announcement**
October 2006	• Vodafone Australia launches High-Speed Downlink Packet Access (HSDPA) in Sydney and Melbourne
November 2006	• Vodafone Australia launches first 3G broadband USB modem
December 2006	• Vodafone Australia switches on Australia's biggest mobile TV line-up, featuring 21 channels
January 2007	• Vodafone Australia posts record results for Christmas 2006 quarter (October to December) with 109,000 net customers connected and service revenue growth of 10.5% compared to the same period in the prior year
July 2007	• Crazy John's signs exclusive retail agreement with Vodafone Australia and commences operating as an MVNO on the Vodafone Australia network
July 2007	• Vodafone Australia extends HSDPA network to encompass greater metropolitan areas of Sydney, Melbourne, Canberra, Brisbane, Gold Coast, Sunshine Coast, Adelaide and Perth
August 2007	• Vodafone Australia launches "Vodafone in Myer" with the first of 24 branded retail outlets opening in Myer Brisbane
December 2007	• Vodafone Australia transforms Mobile Broadband market, offering 5GB for $39
December 2007	• Vodafone Australia first to offer free, mobile advertising-funded content
January 2008	• Vodafone Australia eclipses previous record with Christmas 2007 quarter delivering 141,000 net customers, including contract customer growth of 17.6% compared to the base as at December 2006
March 2008	• Vodafone Australia appoints Ericsson as turnkey vendor for national network upgrade
May 2008	• Vodafone Australia customer base exceeds 4 million customers (including MVNO customers)
June 2008	• Vodafone, Cisco and Research in Motion (RIM) join forces to offer a world-first business communications solution: Vodafone Business One
July 2008	• Vodafone Australia launches Apple iPhone 3G in Australia
September 2008	• Vodafone Australia surpasses 1 million 3G devices connected to its network
October 2008	• Vodafone Australia announces exclusive deal to sell the BlackBerry Storm 'touch-screen' device in Australia • Vodafone Australia acquires majority stake in Crazy John's on 2 October 2008, including national network of 95 retail stores, and separate business sales team. Remaining shareholding was acquired on 31 October 2008

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Vodafone Australia - history	
Date	**Announcement**
January 2009	• Vodafone Australia added more than 186,000 net customer connections during Christmas 2008 quarter. MVNO base stands at more than 305,000 customers

Financial performance

104 A summary of Vodafone Australia's reported historical operating performance for the five years ended 31 March 2008 is set out below:

Vodafone Australia – financial performance

	Year to 31 March				
	2004 Audited $m	**2005 Audited $m**	**2006 Audited $m**	**2007 Audited $m**	**2008 Audited $m**
Sales revenue[(1)]	1,566.8	1,736.8	1,937.5	2,252.8	2,436.9
Reported EBITDA[(2)]	467.4	431.9	356.9	449.9	499.2
Depreciation & amortisation	(324.2)	(287.0)	(328.6)	(321.1)	(366.5)
EBIT	143.2	144.9	28.3	128.8	132.7
Net interest income/(expense)	(10.3)	10.3	6.5	12.8	17.4
Profit before tax	132.9	155.2	34.8	141.6	150.1
Income tax benefit/(expense)	(23.4)	(10.7)	14.6	(11.8)	(43.4)
Profit after tax	109.5	144.5	49.4	129.8	106.7
Key Performance Indicators:					
Customer numbers[(3)]:					
Direct (000s)	2,486	2,731	3,177	3,367	3,690
MVNO[(4)] (000s)	n/a	278	338	308	341
Total (000s)	n/a	3,009	3,515	3,675	4,031
Growth in sales revenue	4.0%	10.9%	11.6%	16.3%	8.1%
Growth in EBITDA	n/a	(7.6)%	(17.3)%	26.1%	10.9%
EBITDA margin	29.4%	24.8%	18.4%	20.0%	20.5%
ARPU[(5)]	n/a	$53.90	$48.80	$51.80	$51.50

Note:
1 Represents revenue from operating activities and excludes interest income and other non-operating revenue.
2 EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) includes net movement in capitalised acquisition costs less amortisation of acquisition costs deferred from prior periods.
3 Customer numbers reflect registered mobile customers at the end of the period.
4 MVNO's (Mobile Virtual Network Operator) utilise the Vodafone Australia network on a wholesale basis, providing their customer base with their own branding, tariff and billing services.
5 ARPU represents rolling 12 months average monthly service revenue per user (including incoming revenue), calculated at the end of the relevant period (including both prepaid and postpaid customers).
n/a – not available.

105 Vodafone Australia has demonstrated consistent revenue growth over the last five years resulting from an increased customer base, and a focus on high value contract customers.

106 The historical financial performance reflects the impact of a substantial shift in Vodafone Australia's commercial approach in November 2005, when Vodafone Australia made a significant re-entry into the contract customer market, offering handset subsidies for those customers taking up high ARPU contract plans.

107 Prior to this date, Vodafone Australia's focus had been on the prepaid customer segment, which delivered strong EBITDA results, but did not deliver the same opportunity for long term revenue growth.

108 As a result of the re-entry into the contract customer market, Vodafone Australia has achieved higher revenue growth in 2005 to 2007, but has also reported a short-term decline in EBITDA in 2006, due to the increased customer investment costs to acquire these high ARPU customers. After this initial decline, EBITDA growth has subsequently resumed, reflecting the margin generated by customers acquired in earlier periods, and greater operating scale.

Operating performance for period since 31 March 2008

109 While Vodafone Australia has not publicly released detailed financial results for the period since 31 March 2008, the company has announced that:

(a) total customer numbers as at 31 December 2008 have increased to 4,220,000 (including MVNO customers), an increase of 4.7% since 1 April 2008

(b) services revenue growth of 7.4% has been achieved for the first half of FY09 (compared to the first half of FY08), and growth of 8.2% has been achieved for the third quarter of FY09 (compared to the third quarter of FY08)

(c) more than 1,171,000 3G devices were connected to the Vodafone Australia network as at 31 December 2008, a 49.9% increase since 31 December 2007.

110 Additionally, in the period since 31 March 2008 Vodafone Australia acquired 100% of Mobileworld Communications Pty Limited and its subsidiaries (trading as Crazy Johns). Crazy Johns owns and operates a national distribution channel of 95 retail stores, along with maintaining a separate business customer sales team. Crazy Johns also operates as an MVNO provider, and as part of this acquisition Vodafone Australia acquired approximately 76,000 customers (now reported as direct customers, rather

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than as MVNO prior to acquisition). No further amounts are due to be paid in respect of the Crazy Johns acquisition.

Cash flow

111 We summarise below Vodafone Australia's consolidated cash flow statement:

Vodafone Australia – summary of consolidated cash flow statement					
	Year to 31 March				
	2004 Audited $m	2005 Audited $m	2006 Audited $m	2007 Audited $m	2008 Audited $m
Cash flows from operating activities					
Operating cash flow before net interest	482.5	436.8	300.9	465.0	398.5
Interest and taxes paid	-	(40.3)	24.8	(5.7)	(4.6)
Net cash from operating activities	482.5	396.5	325.7	459.3	394.9
Cash flows from investing activities					
Capital expenditure	(163.1)	(327.7)	(289.0)	(327.1)	(285.3)
Interest received	6.7	-	8.7	16.7	21.3
Net cash (outflow) / inflow from investing activities	(156.4)	(327.7)	(280.3)	(310.4)	(264.0)
Cash flows from financing activities					
Net movement in borrowings	(321.2)	(35.2)	(0.2)	43.3	(39.1)
Net cash (outflow) / inflow from financing activities	(321.2)	(35.2)	(0.2)	43.3	(39.1)
Net increase / (decrease) in cash	4.9	33.6	45.2	192.2	90.8

112 Notwithstanding the increase in revenue and EBITDA over the five year period, operating cash flow has not increased to the same extent. This reflects Vodafone Australia's continued capital investment in network coverage and capability, and investment in a major customer care and billing upgrade that was completed in September 2007.

Financial position

113 The audited financial position of Vodafone Australia as at 31 March 2008 is set out below:

Vodafone Australia - statement of financial position	
	$m
Current assets	
Cash	361.7
Receivables	378.9
Inventories	19.2
Other advances	3.3

Vodafone Australia - statement of financial position	
	$m
Deferred customer acquisition costs	40.0
Prepayments	53.6
Available-for-sale financial assets	12.4
Total current assets	869.1
Non-current assets	
Receivables	73.9
Other advances	2.2
Property, plant and equipment	1,081.2
Intangible assets	556.8
Deferred customer acquisition costs	12.9
Total non-current assets	1,727.0
Total assets	2,596.1
Current liabilities	
Payables	432.8
Interest bearing liabilities	36.2
Provisions	13.3
Current tax liabilities	42.1
Other	81.4
Total current liabilities	605.8
Non-current liabilities	
Provisions	3.9
Deferred tax liabilities	16.6
Other	142.8
Total non-current liabilities	163.3
Total liabilities	769.1
Net assets	1,827.0

114 Deferred customer acquisition costs reflect the direct costs of contract customer acquisition (excluding the cost of handsets provided to customers) which are deferred in the period in which incurred, and subsequently amortised over the life of the customer contract.

115 Intangible assets represent spectrum licences, CRM intangible assets, computer software and goodwill. Spectrum licences had a carrying value of $326.6 million as at 31 March 2008.

116 It should be noted that the Vodafone Australia balance sheet as at 31 March 2008 does not take into account the acquisition of Crazy Johns in October 2008 or other changes to assets and liabilities since 31 March 2008.

117 Whilst Vodafone Australia had $325.5 million in net cash as at 31 March 2008[25], at completion cash and cash equivalents in H3GA and Vodafone Australia will be cleared. At completion, H3GA will also enter into separate loans for equivalent amounts from a Vodafone subsidiary and HWL subsidiary, each of which will be on arm's length terms, have a five year maturity date and be subordinated to the $500 million loan which arises due to the agreed value differential between the H3GA and Vodafone Australia businesses.

118 A pro-forma balance sheet for VHA if the Proposal is approved is included in the Explanatory Memorandum.

[25] Being $361.7 million in cash less $36.2 million in interest bearing liabilities.

V Australian telecommunications industry

Overview

119 HTAL and Vodafone Australia predominantly operate as mobile service providers in the Australian telecommunications market, including mobile broadband internet access using 3G capabilities. This section therefore focuses on these segments (ie mobile service and internet services) of the Australian telecommunications industry.

120 Mobile service providers primarily operate and maintain switching and transmission facilities that provide direct communication via airwaves, hence providing wireless telecommunications network services.

121 Internet Service Providers (ISPs) offer customers with access to the internet through services such as dialup or broadband. Many ISPs also provide services such as web page hosting, website development and e-commerce based services.

Mobile services

122 The first generation mobile technology was the analogue Advanced Mobile Phone System (AMPS). This was established in Australia by Telstra in 1987, but is no longer in use. The 2G network, introduced in 1993, provides service via Global System for Mobiles (GSM) and Code Division Multiple Access (CDMA). There are currently three mobile carriers operating on GSM in Australia, being Telstra, SingTel Optus Limited (Optus) and Vodafone Australia.

123 In 2003 3G technology was offered in Australia for the first time by HTAL's 3. Today Vodafone Australia and Optus provide 3G services via shared infrastructure, and Telstra via its NextG network. Telstra also offers 3G services separate from its NextG network and does so by using the radio access network that it acquired a 50% interest in from H3GA.

124 3G offers superior services to 2G, including full track music and video downloads and applications, internet access and other data intensive services. The penetration of the 3G network has grown significantly, with 8.55 million subscribers by June 2008 representing year-on-year growth from June 2007 of 88%. The closure of Telstra's CDMA network in April 2008 contributed to the growth in 3G penetration, with many of Telstra's customers migrating to Telstra's 3G network. 3G penetration is expected to reach 50% of the total mobile service subscriber base by June 2009.

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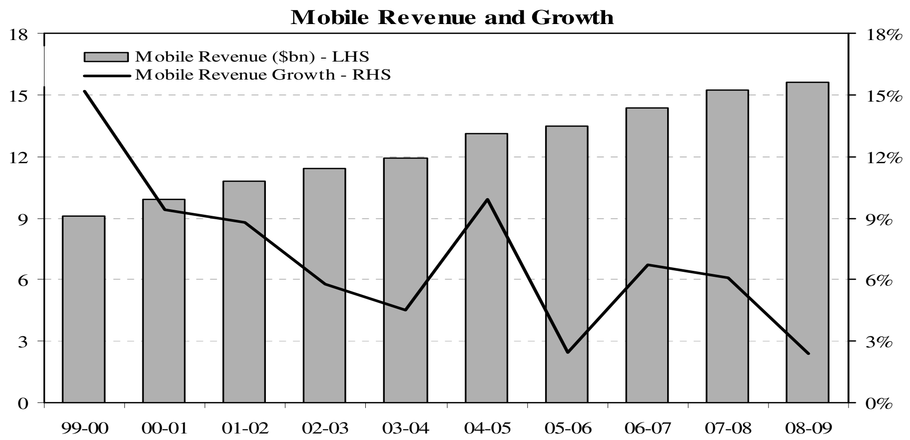
Market size

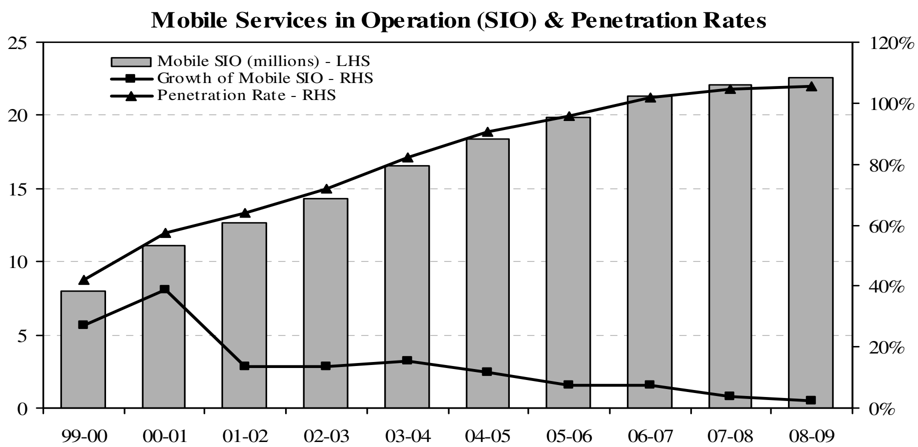
125 Set out below is the historical revenue and growth for Australian mobile services for the nine years to 30 June 2008 and IBISWorld's forecast for the year to 30 June 2009:



Source: IBISWorld. In constant prices.

126 Industry revenue in 2007-08 was $15.2 billion representing annual growth of 6.1% in real terms (ie before inflation). For the past decade mobile services grew at a real rate of 7.1% per annum[26]. Industry growth has been supported by technological innovation, new product and service development, continued market liberalisation and rapidly increasing penetration rates.

127 The chart below shows the number and growth of mobile services in operation (SIO) in Australia, as well as the penetration rate compared to the Australian population.



Source: IBISWorld.

[26] Ie before allowance for inflation.

128 According to IBISWorld, in the year to 30 June 2007 mobile services in operation (SIO) achieved 100% penetration for the first time, with a total of 21.3 million services. The following year mobile SIO grew to 22.1 million, representing penetration of 104.6%. While it appears unusual that a penetration of more than 100% is achievable, many individuals use more than one service, for example individuals having both a work and personal mobile phone. Notwithstanding this, as penetration levels approached 100%, growth in the number of mobile services slowed significantly.

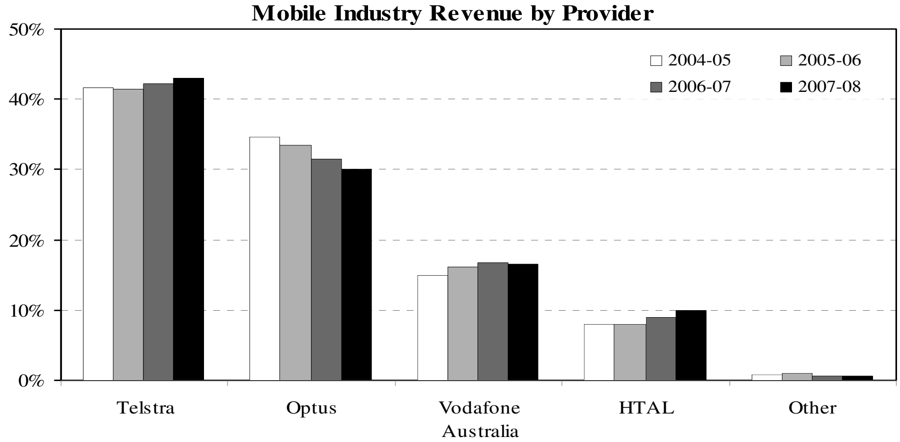
Competition

129 Price is a major basis of competition (over 700 differing price packages are currently available in the Australian mobile market[27]), with air time charges and handset costs being the main elements of price competition. Competition is also based around service, including coverage, quality and network data capacity (data transfer speeds). With penetration of 3G rising, network data capacity is becoming an increasingly significant competitive factor.

130 Product innovation and innovative marketing strategies are increasingly being used to lure customers, with examples including 3.75G, WAP portals, Smart SIM technology, Mobile TV, MMS, Push-to-Talk, Mobile internet and handset innovation, with a recent example of the latter being the success of the iPhone.

Major participants

131 There are 12 mobile service providers in the Australia market. However the four large mobile service providers, Telstra, Optus, Vodafone Australia and HTAL account for approximately 99% of mobile services revenue. The market share of these companies over the past four years is set out below:



Source: IBISWORLD.

[27] Source: IBISWorld.

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132 Telstra currently leads the market with 43.1% of mobile industry revenue, with Optus at 30%, Vodafone Australia at 16.6% and HTAL with 9.9%. The remaining 0.4% was allocated amongst the other eight mobile service providers which operate through MVNO arrangements.

133 It is evident from the above that HTAL and Vodafone Australia have gained market share, to Optus' detriment. We understand that while Optus has been successful in growing subscriber numbers (see below), it has primarily increased prepaid users as opposed to post-paid customers. As prepaid services have yielded relatively lower average revenue per user (ARPU) compared with post-paid users, Optus' overall market share by revenue has reduced.

134 Subscriber growth of the four major participants is set out in the table below:

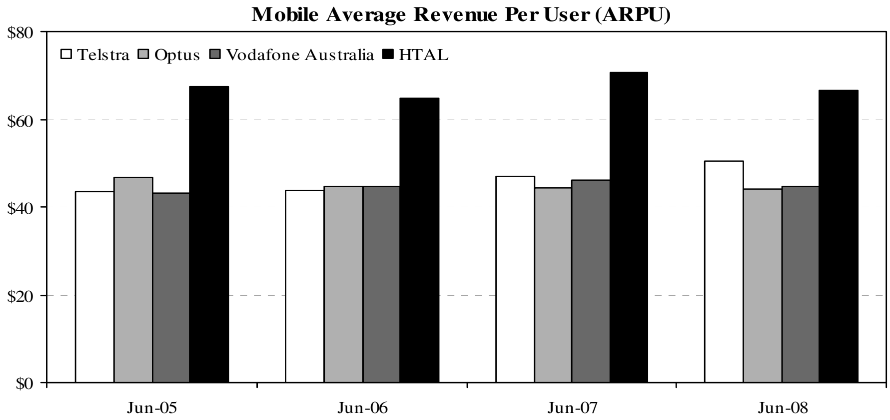
Subscriber growth

	2005 %	2006 %	2007 %	2008 %
Telstra	8.0	3.0	9.0	1.0
Optus	7.0	10.0	4.0	6.0
Vodafone Australia	10.0	16.0	6.0	10.0
HTAL	23.0	20.0	27.0	15.0
Weighted Average[(1)]	8.8	8.6	8.0	5.3

Note:
1 The weight average is determined based on each company's market share of subscribers.
Source: IBISWorld.

135 Vodafone Australia and HTAL have typically outperformed the market in terms of subscriber growth, with Optus and Telstra each only out performing the weighted average growth in one of the last four years. However, it is important to note that both Telstra and Optus have larger subscriber bases than HTAL and Vodafone Australia.

136 The historical ARPU of the four major Australian operators for the four years to 30 June 2008 is set out below:



Source: Merrill Lynch.

137 As the chart demonstrates, Optus previously had the second highest ARPU, which has declined as its competitor's ARPU have improved. HTAL has maintained a significantly higher ARPU than its competitors, due to a combination of:

(a) a high level of overall post paid customers, ie 89% as opposed to the industry average of approximately 60% (post paid customers have a higher ARPU; and

(b) all its subscribers being on 3G services. The use of 3G services generates higher revenues as many customers access non-SMS data services.

Internet services

138 Internet services can be provided via broadband or the antiquated dialup process. Dialup services provide slower connections and require the user to dial in to the network for the cost of a local call. Broadband services can be accessed via a range of technologies, which are:

(a) ADSL is the most commonly used broadband technology and allows users to access the internet over a copper wire network, with speeds reducing as the distance from the exchange increases. The maximum speed is around 8 megabits per second (Mbps)

(b) ADSL2 also operates over copper wire networks, however it provides faster internet access than ADSL with speeds up to 20 Mbps. In order to use this technology ISPs must install digital subscriber line access multipliers into Telstra-owned exchanges

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(c) HFC cable (optical fibre and coaxial cable) provides broadband internet and other services to around 2.7 million premises in major cities. HFC typically offers speeds of 17 Mbps, but in Brisbane, Melbourne and Sydney speeds are generally 20-30 Mbps

(d) Satellite broadband provides 100% coverage over Australia's land mass, thus predominantly providing internet access to rural and remote customers at speeds similar to ADSL

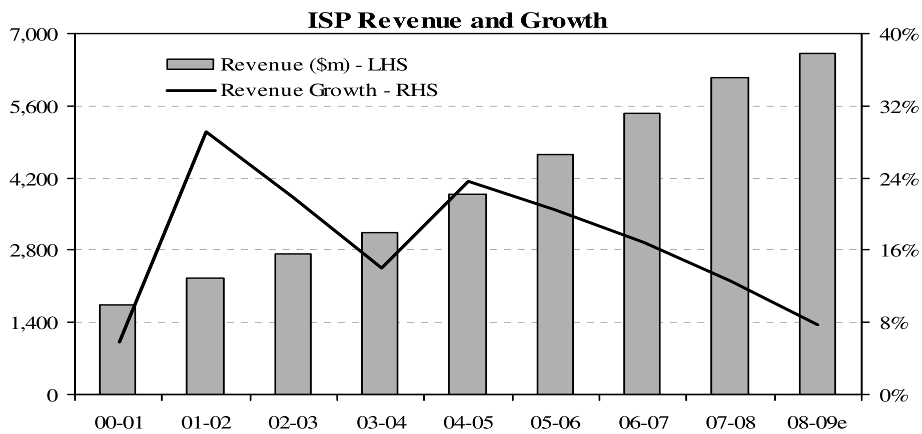
(e) Broadband over power lines (BPL) is an emerging technology that provides broadband internet over existing electricity power lines. Issues still to be addressed include potential interference with other radio communications services. BPL can allow broadband internet access at speeds up to 25 Mbps

(f) 3G network access available via Australia's four 3G providers – Telstra, Optus, Vodafone Australia and HTAL. Current 3G broadband speeds are up to a maximum 14.4 Mbps however Telstra's NextG network (which is often referred to as 3.5G) offers internet access at speeds up to a maximum of 21Mbps by February 2009 and a planned 42 Mbps later in 2009.

Market size

139 Australian ISP's have been the primary beneficiaries of increased penetration of the internet over the past five years. The migration from dialup to broadband has also boosted revenue growth, as ARPU for broadband is higher than dialup.

140 ISP revenue and revenue growth for the nine years to 30 June 2008 and IBISWorld's forecast for the year to 30 June 2009 is set out below:



Source: IBISWorld. In constant prices.

141 Total ISP industry revenue for 2007-08 was $6.1 billion. IBISWorld expects that turnover will grow 8% (in real terms) in the year to 30 June 2009, reaching $6.6 billion. BuddeComm expects wireless broadband to represent $1.4 billion revenue in 2008-09, with the majority of this attributable to 3G mobile wireless broadband.

142 In June 2008 there were 7.23 million active internet subscribers, with 86% of active internet subscribers represented by households and the remainder business and government. 54% of internet access was provided by DSL, 22% by dialup, 13% by other non dialup (including ISDN, satellite, cable and other non dialup technologies), and 11% by wireless.

143 From March 2007 to June 2008, wireless broadband services increased from 227,000 to 809,000 subscribers, representing growth of 256%. This large increase can be attributed to the upgrade of 3G networks and comparable priced mobile internet connections.

144 Penetration of internet access was 86.5% for businesses and 64.0% for households as at 30 June 2007**.** This is expected to rise to 90% and 70% respectively by 30 June 2009[28].

Competition

145 Competition in the ISP industry is driven by price, quality and level of service, product range and branding. Price is the major basis of competition, with other factors such as download volumes and speeds being generally comparable. For the smaller ISPs retail prices are a function of the wholesale price that Telstra or other infrastructure owners charge. Help desk and support services can be a differentiating factor, particularly for new internet users. Many ISPs do not report service outages so comparing technical services can be difficult.

146 The ability to offer the latest value-added features is important in differentiating the various providers. As prices fall users tend to migrate to faster services. In addition, some ISPs now offer voice over internet protocol (VoIP) and internet protocol television (IPTV). Bundling is also becoming an increasing significant point of competition, with full service companies encouraging customers to take up multiple services.

[28] Source: IBISWorld.

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Major participants

147 The Australian ISP industry is highly fragmented with over 400 ISPs operating, most of which are small businesses. However, a few large ISPs dominate the market. Telstra has 44.1% market share, followed by Optus with 7.0%, Primus Telecom with 3.6% and Iinet with 3.2%. Other ISPs account for the balance of 42.1%[29].

Outlook – mobile services

148 Future growth in the mobile services industry will be limited as penetration levels have now exceeded 100%. Industry subscriber growth going forward will therefore tend to be low however, offsetting this somewhat is the expected increase in data services on offer. In this environment participants are likely to compete aggressively, offering better value plans, not only in a bid to gain new subscribers but also to retain them.

149 Set out below is forecast growth for the mobile services market by a number of industry analysts:

Mobile services – forecast growth in turnover

	Forecast dates to	2009 %	2010 %	2011 %	2002 %
Telsyte	31 December	6.7	4.5	3.6	3.0
Biddcom	30 June	5.5	5.0	n/a	n/a
IBISWorld[(1)]	30 June	5.4	4.6	5.7	6.0

Note:

1 IBISWorld provides forecasts in real prices, thus assumed inflation of 3% has been added to its estimates.

150 We note that expected growth in the short term is significantly higher than expected growth in gross domestic product (GDP), indicating that this segment of the telecommunications industry is estimated to grow at a significantly higher rate than the Australian economy.

[29] Source: IBISWorld.

151 Telsyte, a telecommunications research provider, expects further migration from the 2G to 3G network in the near term (3G currently represents 39% of the total mobile market) and an increase in prepaid services. The table below shows Telsyte's compound annual growth rate forecasts to 2012 by subscriber, revenue and ARPU for the different segments of the mobile services industry.

Compound annual growth rate - 2008-2012	Subscribers %	Revenue %	ARPU %
2G	(8.1)	(23.4)	(15.6)
3G	9.5	14.1	0.8
Prepaid	8.1	14.6	6.6
Postpaid	(5.7)	0.5	3.9
Total Mobile	1.6	3.5	1.6

Source: Telsyte.

152 Revenue growth is expected to be higher than subscriber growth as a result of increased data usage by customers enabled by 3G services, which will subsequently drive ARPU. 3G's significantly faster data speeds will allow for increased multimedia services such as video streaming, sports footage, internet access and entertainment. Telsyte also forecasts that prepaid services growth will outpace post-paid services, as 3G enters maturity and becomes less of a premium product.

Outlook – internet services

153 While the mobile industry has exceeded penetration of 100%, internet services are still only at a household penetration level of 64.0%, with business penetration levels approaching 90%. The opportunity to achieve 100% penetration levels for households is considered to be limited, due in part to low levels of interest from the older demographic groups and the ability of people to use work access for internet services. Notwithstanding this IBISWorld are expecting internet services to be the fastest growing segment of the telecommunications industry, with an average revenue growth rate of 8.4% per annum for the five years to 30 June 2014.

154 Anticipated trends looking forward include falling broadband prices as competition intensifies, while at the same time the migration to broadband from dialup is expected to drive revenue growth (as ARPU is much higher for broadband than dialup). Construction of the National Broadband Network, predicted to provide 98% of the population with broadband access, is also expected to increase broadband uptake.

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VI Valuation of H3GA prior to the Proposal

Overview of H3GA

155 H3GA is the principal operating entity of HTAL. Associated with the Proposal we understand that all operating assets (including the paging business and 800 MHz band spectrum licences currently held by HTAL) will be transferred to H3GA as soon as practicable after implementing the Proposal.

156 Our valuation of H3GA therefore reflects the value of all HTAL's operating businesses and assets.

Valuation methodology

157 Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 "Content of Expert Reports" outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

158 The DCF method is the superior valuation methodology because:

(a) value is the net present value (NPV) of future cash flows (i.e. future year's cash flows, net of outgoings, expressed in terms of today's dollars)

(b) the DCF methodology is technically superior as it separately assesses key factors such as growth and risk rather than trying to capture them in a single factor (i.e. the capitalisation multiple).

159 Given the availability of five year cash flow projections for H3GA and the historical and projected growth in the business we have concluded that the DCF method of valuation should be used as the primary method to value H3GA.

160 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

Cash flow projections

161 Our DCF valuation is based on the free cash flow projections prepared by HTAL management, which we have adjusted where considered necessary.

162 It should be noted that in respect of these projections:

(a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions

(b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions

(c) future profits and cash flows are inherently uncertain

(d) the achievability of these projections is not warranted or guaranteed by HTAL or LEA, as they are predictions by HTAL management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of HTAL and its management; and

(e) actual results may be significantly more or less favourable.

163 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments[30], capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed[31].

164 HTAL management's free cash flow projections cover the period to 31 December 2013. These cash flow projections have been extended for a further five years based on discussions with HTAL management. A terminal value has also been adopted at the end of the forecast period.

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[30] Also calculated on an ungeared basis.
[31] As noted in paragraph 168 we have assumed the H3GA business is 100% equity funded.

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165 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Major assumptions

166 The major assumptions underlying the free cash flow projections for the H3GA business are set out below:

Subscriber growth

(a) H3GA subscriber numbers are projected to increase at a compound annual growth rate of around 12.5% per annum. This growth is in line with industry forecasts that indicate that the total number of 3G subscribers is projected to increase at a compound annual growth rate of some 12.0% per annum from 2008 to 2012.[32] [33]

(b) H3GA subscriber numbers increased approximately 27% in FY07 and approximately 29% in FY08 (resulting in a market share of approximately 9% at 31 December 2008).

(c) The proportion of total customers using mobile broadband services is projected to increase from 25.9% as at 31 December 2008 to over 50% as at 31 December 2013.

Churn rates

(d) Monthly post-pay churn is projected to be in the range of 1.2% to 1.5% in the five year period to 31 December 2013. In the year ended 31 December 2008 the monthly post paid churn rate was 1.2%.

Average revenue per user (ARPU)

(e) ARPU is projected to decline over the period to 31 December 2013 by approximately 2% per annum (compound) principally due to the increasing proportion of subscribers expected to take up prepaid mobile plans. Customers on prepaid plans generally spend less than those on post-paid plans.

[32] Source: Australian Mobile Market Review and 2008 – 2012 Forecast, March 2008, Warren Chaisatien, Joyce Yu, Telsyte, page 37.

[33] In contrast, growth in total wireless subscribers is projected to increase at 2% per annum over the period to FY12. The significantly higher growth rate projected for the 3G market reflects migration from less efficient 2G networks to 3G, and 3G's significantly faster data speeds allowing multimedia services such as video streaming, sports footage, internet access and entertainment to be provided.

Customer acquisition costs

(f) Customer acquisition costs (CAC) are projected to decline from $238 per customer in 2008 by approximately 9.0% per annum (compound) in the period to 31 December 2013. This reduction reflects an increase in prepay and mobile broadband customers and downward pressure on handset prices.

EBITDA margins

(g) EBITDA margins (before capitalisation of CAC and customer retention costs (CRC)) are projected to increase from around 10% of service revenues in FY08 to around 30% in FY13. This principally reflects:

- (i) an increase in margin in line with subscriber growth
- (ii) leverage of the fixed cost base
- (iii) reduction in unit CAC and CRC.

Capital expenditure

(h) Capital expenditure as a percentage of service revenue is forecast to be around 10% over the forecast period.

Working capital

(i) Working capital is forecast to increase in line with customer service revenue over the forecast period.

Tax losses

(j) H3GA has income tax losses of approximately $2.7 billion which are utilised over the forecast period[34]. However due to the greater level of uncertainty associated with the utilisation of tax losses in future years the benefit of these tax losses has been discounted at a significantly higher discount rate.

167 As stated above we have extended management's forecasts beyond FY13 for a further five years. Growth in free cash flow over this period reflects an average compound growth rate of approximately 4.0% per annum[35], and reflects the business' operating leverage and more mature nature of the business at that time.

[34] No value has been placed on tax losses residing in HTAL as these are unlikely to be able to be utilised.
[35] Prior to taking into account future 3G spectrum licence fees from 2017, which are treated for valuation purposes as an annuity payment from that year.

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Discount rate

168 When assessing the appropriate discount rate to apply to the free cash flow projections for the H3GA business we have assumed that the H3GA business is funded entirely by equity. In our opinion, this assumption is appropriate for valuation purposes because:

(a) the gearing assumption in the discount rate should be assessed having regard to H3GA's ability to raise debt finance on a standalone basis (that is, in the absence of financial support from HWL)

(b) on a standalone basis H3GA would not be able to meet normal commercial banking debt covenants[36] due to both historical operating losses and the loss reported at the EBIT level in the year ended 31 December 2008

(c) in our opinion, H3GA is unlikely to be able to obtain any external debt facilities at the current time unless HWL provides appropriate guarantees[37].

169 We note that the free cash flows of a business (before debt) are normally discounted at a weighted average cost of capital (WACC), reflecting both the cost of equity and cost of debt. However, as we do not consider that H3GA could raise debt finance on a standalone basis at the present time the appropriate WACC for valuation purposes is the cost of equity.

170 The capital asset pricing model (CAPM) is generally used to assess the appropriate discount rate for equity investments. Under CAPM the cost of equity / discount rate is calculated using the following formula:

Cost of equity

$COE = R_f + (MRP \times B_e)$

Where:

COE	is the cost of equity (discount rate)
R_f	is the risk-free rate
MRP	is the market risk premium
B_e	is the equity beta

[36] For example, a minimum interest coverage ratio.
[37] We note that H3GA's previous external debt providers required guarantees from HWL.

171 Having regard to the yield on 10 year Australian government bonds (which are widely regarded as the proxy for the long term risk-free rate of return in Australia) and measures undertaken by the Reserve Bank to reduce funding costs (which has seen Australian interest rates fall to historic lows) we have adopted a risk-free rate of 4.3% per annum.

172 A market risk premium (MRP) of 7.0% per annum has been applied. This represents a 1% premium to the MRP normally applied in Australia to reflect the current risk aversion of investors as a result of the current global credit crisis and uncertain outlook for the world economy.

173 While the majority of betas for listed telecommunications companies are low, HTAL's beta has averaged 1.3 over the period from March 2005 to September 2008[38]. However, HTAL's beta is impacted by the relative low level of trading in HTAL shares.

174 Further, we note the free cash flow projections assume significant increases in earnings and cash flow, and consequently there is a proportionately higher level of uncertainty (risk) associated with the achievement of the cash flow projections. Accordingly, in our opinion, a high beta is appropriate notwithstanding the absence of gearing assumed in our cost of capital calculation.

175 For valuation purposes we consider a beta of 1.4 to 1.5 is appropriate.

176 On this basis we have applied discount rates of 14.1% and 14.8% per annum (after tax) when valuing the H3GA business.

Spectrum renewal cost

177 Spectrum licences are issued with no automatic right of renewal. We understand that auction documentation warns applicants that at the end of the licence period it is likely that the spectrum will again be allocated based on a price based mechanism[39].

178 However, spectrum may also be reissued to the same licensee without participating in a price based allocation process where this is in accordance with a determination by the Communications Minister, or where the Australian Communications and Media Authority (ACA) believes that is in the public interest.

179 Based on the above we believe it is appropriate for valuation purposes to assume that a further licence fee will need to be paid upon expiry of the existing 3G spectrum licences in 2017. However, the amount of such fee is highly uncertain, particularly as no other spectrum licences have yet reached expiry and been reissued.

[38] Based on beta estimates provided by AGSM.
[39] Source: Spectrum Trading, 18 February 2008, Australian Communications and Media Authority (ACA).

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180 For valuation purposes we have assumed that the fee payable in 2017 will be consistent with the original fee paid adjusted for inflation. However, in order to allow for the recurring nature of this cost (as licences are not issued in perpetuity) we have converted the estimated renewal fee in 2017 into an annual annuity based on an assumed licence period of 15 years.

Terminal value

181 We have estimated the terminal value of the H3GA business as at 31 December 2018 based on the free cash flow projected in the year ending 31 December 2018.

182 Growth in perpetuity of 3.0% and 3.5% per annum has been assumed after 2018. The selection of these growth rates has been based on our review of:

(a) the historical growth in revenue achieved by H3GA to date

(b) the growth in H3GA revenue projected over the period to 31 December 2018

(c) the projected growth in revenue and subscriber numbers for the total wireless market in Australia over the forecast period

(d) the projected growth in subscriber numbers for the total 3G market in Australia over the forecast period

(e) the limited scope for further growth in mobile penetration rates per capita

(f) the related likelihood of continued growth in revenue beyond 31 December 2018 (albeit at lower rates)

(g) long-term inflation rates and GDP forecasts.

183 On this basis the terminal value of the H3GA business as at 31 December 2018 represents 3.8 to 4.3 times projected EBITDA in the year ending 31 December 2018 (which we consider reasonable).

DCF value

184 Based on the above the DCF value of the H3GA business (on an ungeared basis) ranges from $2.25 billion to $2.45 billion. This represents the value of the business on a 100% controlling interest basis.

Implied earnings multiples

185 The DCF value of the H3GA business represents an EBITDA multiple of 15.6 to 17.0 times H3GA's EBITDA for the year ended 31 December 2008:

	Low $m	High $m
H3GA business value	2,250	2,450
FY08 EBITDA[(1)]	144.1	144.1
2008 EBITDA multiple	15.6	17.0

Note:
1 Represents reported EBITDA of $200 million less amortisation of CAC and CRC of $46.3 million (to adopt comparable reporting treatment to Vodafone Australia) less interest income (included in reported EBITDA) of $9.6 million.

186 While the implied 2008 EBITDA multiples are very high[40]we do not consider FY08 earnings to be representative of the future earnings potential of the H3GA business[41]. HTAL management are projecting significant growth in EBITDA[42] over the next few years due to:

(a) projected increases in customer numbers

(b) higher overall margins due to the growing proportion of customers using data services; and

(c) the benefits of greater scale.

Cross-check against listed market price

187 In order to cross-check our assessed value we have also considered the listed market price of HTAL's ordinary shares[43] prior to the announcement of the Proposal.

188 While the Proposal was announced on Monday, 9 February 2009 we note that the market price of HTAL shares increased significantly on Friday, 6 February 2009 on higher than average volume. Accordingly we have excluded trading on this day from our analysis, and have therefore considered the recent market prices of HTAL shares up to and including 5 February 2009.

[40] The EBITDA multiples of other telecommunication companies are set out in paragraph 216.
[41] For commercially sensitive reasons we have been asked not to disclose management's future earnings projections.
[42] This EBITDA projection is subject to the same qualifications described in paragraph 162 with respect to the earnings and cash flow projections.
[43] Due to the lack of trading no market price can be observed for HTAL's convertible preference shares (CPS).

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189 Due to the relative illiquidity of the shares we have had more regard to the volume weighted average price (VWAP) of HTAL shares in the three months to 5 February 2009, which was 8.5 cents. For the purpose of our cross-check we have therefore adopted a share price range of 8.0 cents to 9.0 cents.

190 As the CPS rarely trade we have attributed a value to the CPS equal to the listed market price of ordinary shares to be received upon conversion. This is also appropriate as we understand HTAL intends to convert all CPS to ordinary shares upon implementation of the Proposal.

191 On this basis the value of the equity in HTAL implied by the listed market price of ordinary shares is as follows:

	Number of shares (millions)	Price per share (cents)	Market capitalisation Low $m	High $m
Ordinary shares	754.0	8.0 – 9.0	60	68
Number of ordinary shares to be issued on conversion of CPS(1)	12,818.5	8.0 – 9.0	1,025	1,154
Implied market capitalisation			1,085	1,222

Note:
1 The conversion ratio is 0.85 ordinary shares per CPS.

192 In order to derive a value for 100% of the H3GA business we have then added:

(a) a premium for control of nil to 15% (in order to estimate the value of the business on a controlling interest basis). While lower than the average premium paid in successful takeovers of 30% to 35%[44], this reflects the fact that HWL already controls HTAL and provides substantial financial support to HTAL

(b) the debt of the HTAL Group (in order to derive the value of the H3GA business).

[44] Based on empirical evidence on takeover premiums undertaken by LEA.

193 On this basis, the value of the H3GA business implied from the listed market price of HTAL ordinary shares prior to the Proposal is as follows:

	Low $m	High $m
Market capitalisation	1,085	1,222
Control premium (nil to 15%)	-	183
Equity value	1,085	1,405
Net debt as at 31 December 2008:		
Cash	(135)	(135)
Borrowings from HWL	1,000	1,000
HWL trade payable[(1)]	520	520
H3GA business value	2,470	2,790

Note:

1 Amounts owing by H3GA to HWL for handset and other services have accumulated over approximately 18 months. As this does not reflect normal commercial payment terms, for valuation purposes we have treated the amount owing for more than 30 days as a debt. This is consistent with the treatment adopted by us when valuing the H3GA business (which is calculated before deducting $520 million owed to HWL) and is consistent with the basis upon which the Proposal is to be implemented.

194 Whilst the above valuation range is some 10% to 14% higher than our assessed valuation range we note that:

(a) HTAL's ordinary shares are thinly traded
(b) HTAL is not widely researched by broking analysts
(c) institutional investor interest in HTAL appears low
(d) longer term earnings projections for HTAL are not publicly available.

195 Consequently, in our opinion, only limited reliance can be placed on the above cross-check.

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VII Evaluation of the Proposal

196 In our opinion, the Proposal is fair and reasonable to the non-associated shareholders in HTAL. The reasons for this opinion are set out below.

Basis of assessment

197 As discussed in Section II, in LEA's opinion, the most appropriate basis upon which to evaluate the Proposal is to consider all the circumstances of the Proposal and compare the likely advantages and disadvantages to non-associated HTAL shareholders if the Proposal is agreed to with the advantages and disadvantages to those shareholders if it is not.

198 Our report has therefore considered a range of both qualitative and quantitative factors relevant to the consideration of whether the Proposal is fair and reasonable to the non-associated shareholders in HTAL, including:

(a) the value of H3GA

(b) the value of the assets / business being contributed to the merged entity by Vodafone Australia

(c) the relative value contributions in comparison with the merger terms

(d) the value of capital and operating cost savings and synergies likely to be generated should the merger proceed

(e) the likely impact of the Proposal on the value of HTAL shares

(f) the likely impact of the Proposal on HTAL's future earnings and net tangible asset backing per share

(g) the potential for a market re-rating of the shares in HTAL

(h) the impact of the Proposal on the control of HTAL

(i) the impact of the Proposal (if any) on the potential for the non-associated shareholders in HTAL receiving a takeover bid

(j) the impact of the Lock-up Arrangement on the non-associated shareholders in HTAL

(k) a comparison of the position of the non-associated shareholders in HTAL before and after implementation of the Proposal

(l) consideration of other risks and opportunities, advantages and disadvantages.

Relative value contributions

199 In assessing whether the Proposal is fair and reasonable to the non-associated shareholders in HTAL we have considered the relative value contributions made by each of the merger partners.

200 Under the Proposal HTAL (through its wholly-owned subsidiary Hutchison 3G Australia Holdings Pty Limited (H3GAH)) and Vodafone (through its wholly-owned subsidiaries)[45] will each own 50% of H3GA, which will be re-named VHA Pty Limited (VHA).

201 In summary, as a result of the proposed transaction, H3GA will continue to own its existing business and will acquire (or acquire the benefit of):

(a) HTAL's paging business and 800 MHz spectrum licences; and

(b) 100% of Vodafone Australia issued shares, which will continue to own and operate its telecommunication business under the sole control of H3GA (to be re-named VHA).

202 In addition to Vodafone receiving a 50% shareholding interest in VHA, under the Proposal:

(a) Vodafone Shareholders will receive a cash payment of $500 million to equalise the agreed value difference between the respective businesses. This payment will be funded by a $500 million loan to H3GA from a wholly-owned subsidiary of Vodafone. The loan will be on arm's length terms and must be repaid or refinanced within 12 months from implementation of the Proposal, extendable to 18 months at H3GA's request. Repayment of the loan will take precedence over any H3GA shareholder returns and over repayment of principal and interest on other shareholder loans to H3GA

(b) upon implementation of the Proposal, cash and cash equivalents in H3GA and Vodafone Australia will be cleared. Also, upon implementation, H3GA will enter into separate loans for equivalent amounts from a subsidiary of Vodafone and a subsidiary of HWL, each of which will be on arm's length terms, have a five year maturity date and be subordinated to the $500 million loan. H3GA will pay the amount received under the Vodafone loan to entities within the Vodafone group[46]

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[45] Referred to as the Vodafone Shareholders.
[46] For the purposes of our report we have assumed that, after completion, the only debt in VHA will be the $500 million loan, and loans (as described in this sub-paragraph (ii)) from subsidiaries of Vodafone and HWL for equivalent amounts. The amount of these loans is yet to be confirmed.

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203 For the purposes of our report we have therefore been instructed to assume that after completion the only debt in H3GA other than the loan of $500 million will be loans from a subsidiary of Vodafone and a subsidiary of HWL in equal amounts (which will be determined prior to completion) and on equal terms. Consequently, 50% of the value of H3GA will accrue to HTAL after deducting debt due to the subsidiaries of Vodafone and HWL. The position of HTAL shareholders subsequent to implementation of the Proposal is set out in paragraphs 234 to 237.

Value of H3GA prior to Proposal

204 As set out in Section VI we have assessed the value of 100% of the H3GA business prior to implementing the Proposal at $2.25 billion to $2.45 billion.

205 Our assessed value of the H3GA business is prior to deducting net debt. This is because:

(a) the terms of the merger have been agreed based on the relative values of each business before debt

(b) with the exception of the $500 million deferred payment (loan) owed by VHA to Vodafone (to equalise the agreed value difference between the H3GA and Vodafone Australia businesses), after completion (as noted above) we are instructed that the only other debt in VHA will be loans from Vodafone and a subsidiary of HWL in equal proportions and on equal terms. Further, the amount of this debt has not yet been confirmed but will be calculated by reference to the amount of debt in H3GA immediately prior to completion.

206 Accordingly, the relative value contributions by each party can be analysed based on the value of each business, adjusted to take into account the $500 million deferred payment to Vodafone in connection with the sale of Vodafone Australia to H3GA.

Implied value of Vodafone Australia

207 After taking into account the deferred payment to Vodafone of $500 million, the transaction implies (based on our assessed value of H3GA) a value for the Vodafone Australia business of $2.75 billion to $2.95 billion.

Vodafone Australia's historical earnings performance

208 In considering the reasonableness of this implied value for the Vodafone Australia business we have had regard to the historical earnings performance[47] as set out in section IV and summarised below:

Financial performance – year ended 31 March	2007 Actual $m	2008 Actual $m
Sales revenue	2,252.8	2,436.9
Reported EBITDA	449.9	499.2
Reported EBITDA margin	*20.0%*	*20.5%*

209 Vodafone Australia capitalises the direct costs of contract customer acquisition (excluding the cost of handsets provided to customers) and then amortises these costs over the life of the contract. For reporting purposes these amortisation charges are treated as an operating expense and are deducted prior to arriving at reported EBITDA. This differs from the policy adopted by HTAL because:

(a) HTAL also capitalises (and amortises) direct customer retention costs

(b) HTAL amortises direct customer acquisition and retention costs below the EBITDA line[48].

210 As indicated above EBITDA increased 11.0% in the year ended 31 March 2008. This was driven by:

(a) a 9.7% increase in customer numbers and a 8.1% increase in revenue

(b) higher overall margins due to the growing proportion of customers using data services and the benefits of greater scale.

211 While Vodafone Australia has not publicly released detailed financial results for the period since 31 March 2008, the company has announced that:

(a) total customer numbers as at 31 December 2008 have increased to 4,220,000 (including MVNO customers), an increase of 4.7% since 1 April 2008

[47] Due to the unavailability of long term earnings and cash flow forecasts for Vodafone Australia it is not possible to apply the DCF valuation method. However, we note that as Vodafone Australia's growth in EBITDA has been relatively low over the 4 years ended 31 March 2008, a capitalisation of EBITDA method may be more appropriate in any event for Vodafone Australia.
[48] While HTAL shareholders should note these differences in accounting treatments, they do not impact our assessed values as H3GA has been valued on a DCF basis.

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(b) services revenue growth of 7.4% has been achieved for the first half of FY09 (compared to the first half of FY08), and growth of 8.2% has been achieved for the third quarter of FY09 (compared to the third quarter of FY08)

(c) more than 1,171,000 3G devices were connected to the Vodafone Australia network as at 31 December 2008, a 49.9% increase since 31 December 2007.

212 Additionally, in the period since 31 March 2008 Vodafone Australia acquired 100% of Mobileworld Communications Pty Limited and its subsidiaries (trading as Crazy Johns)[49]. Crazy Johns owns and operates a distribution channel of 95 retail stores along with maintaining a separate business customer sales team. Crazy Johns also operates as an MVNO provider, and as part of this acquisition Vodafone Australia acquired approximately 76,000 customers (now reported as direct customers, rather than as MVNO prior to acquisition).

213 We have also discussed the results for the 12 months ended 31 December 2008 in detail with Vodafone Australia management. These results indicate normalised EBITDA of approximately $465 million.

214 Based on the above and our discussions with Vodafone Australia management regarding a number of normalisation adjustments, we have adopted EBITDA for valuation purposes of $465 million. As it is not possible to reliably calculate cash EBITDA[50] multiples for comparable listed companies, we have considered the reasonableness of the value of the Vodafone Australia business implied by the merger terms as a multiple of reported EBITDA (adjusted for non-recurring items).

Implied EBITDA multiple

215 The value of the Vodafone Australia business (before debt) implied by the Proposal therefore represents an EBITDA multiple of 5.9 to 6.3 times the EBITDA adopted for valuation purposes, as shown below:

[redacted]

	Low $m	High $m
Value of Vodafone Australia business implied by Proposal	2,750	2,950
EBITDA	465	465
Implied EBITDA multiple	5.9	6.3

[49] No further amounts are due to be paid in respect of the Crazy Johns acquisition.
[50] Cash EBITDA refers to EBITDA after expensing all customer acquisition and retention costs.

216 In comparison the EBITDA multiples of listed companies with large telecommunication operations in Australia and selected global companies which operate in the wireless telecommunications sector, adjusted to reflect a premium for control[51], are shown below:

	Enterprise value $m	EBITDA multiple(1)
Australian integrated telecommunications companies		
Telstra Corporation Ltd	60,810	7.0
Singapore Telecommunications Ltd	20,753(2)	5.6
Telecom Corporation of New Zealand Ltd	5,531	4.5
Wireless telecommunications companies		
China Mobile Ltd	318,734	6.5
Vodafone Group Plc	253,987	7.9(3)
NTT DoCoMo Inc	139,433	5.0(3)
America Movil SAB de CV	106,551	6.5
Telenor ASA	29,062	4.6
SK Telecom Co Ltd	20,586	4.6
Etihad Etisalat Co	16,199	10.2
Turkcell Iletisim Hizmetleri AS	12,465	5.2
MetroPCS Communications Inc	12,101	10.2
Millicom International Cellular SA	11,700	5.4
Telephone and Data Systems Inc	10,704	5.2
Taiwan Mobile Co Ltd	8,633	6.4
United States Cellular Corp	8,529	5.3
TIM Participacoes SA	8,247	4.3
NII Holdings Inc	7,271	3.9
Leap Wireless International Inc	6,085	9.4
Cellcom Israel Ltd	5,344	6.0
Total Access Communications PCL	4,871	5.4
Pilipino Telephone Corp	2,999	6.1

Note:

1 Based on results for the 12 months to 31 December 2008 (except where noted).

2 Excluding the value of Singapore Telecommunications Ltd's externally listed investments.

3 Based on forecast results to 31 March 2009.

4 A brief description of each company is set out in Appendix C.

[51] Consistent with empirical evidence conducted by LEA on public company takeovers, the average premium paid in successful takeovers was 30% to 35% above the pre-bid listed market price. This translates to a premium of 20% to 25% at the enterprise value level (although this varies depending on the level of debt funding employed).

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217 With respect to the above multiples we note that:

(a) Telstra, Singapore Telecommunications and Telecom Corporation of NZ are significantly larger and more diversified than Vodafone Australia. However, a significant proportion of these companies' revenue is generated from fixed line services which is exhibiting lower growth than 3G mobile and mobile broadband services

(b) Telstra's share price has recently fallen following its exclusion from the bidding for the right to build a national broadband network

(c) Vodafone Group Plc is also significantly larger and more diversified than Vodafone Australia

(d) while other wireless telecommunications companies are generally trading on lower multiples than Vodafone Group Plc, they also operate in markets which are subject to different regulatory frameworks and levels of competition (and are considered less comparable to Vodafone Australia).

218 In summary, we believe Vodafone Australia should trade on lower multiples than Telstra (which is the largest participant in the Australian telecommunications market), but on higher multiples than Singapore Telecommunications and Telecom Corporation of NZ (due to the likelihood of higher future earnings growth in the mobile and mobile broadband sectors).

219 In our view Vodafone Australia should also trade on a lower multiple than Vodafone Group Plc because Vodafone Australia does not own but licenses the Vodafone brand name, is significantly smaller and does not have the same potential to enter new markets.

220 Consequently, in our opinion, the implied EBITDA multiple of 5.9 to 6.3 for Vodafone Australia is reasonable.

221 Accordingly, in our opinion, the Merger terms are fair and reasonable to HTAL shareholders.

Comparison of other key metrics

222 In order to assess the Proposal we have also considered the relative contribution by each party to the merger entity (VHA) in terms of subscribers, revenue and EBITDA. This comparison is shown below:

	H3GA	Vodafone Australia	Merged entity	HTAL contribution to VHA
Mobile customer numbers (000)[1]	2,036	4,220	6,256	32.5%
Sales revenue ($m)[2]	1,613.4	2,436.9	4,050.3	39.8%
Reported EBITDA[2]	200.0	465.0	665.0	30.1%

Note:
1 As at 31 December 2008.
2 H3GA's figures are as reported by HTAL for the year ended 31 December 2008. Vodafone Australia's figures are based on revenue for the year ended 31 March 2008 and normalised EBITDA for the 12 months to 31 December 2008.

223 The above comparisons are not reliable indicators of the value of each business contributed to the merged entity and do not take into account the equalisation payment of $500 million to be paid by VHA for the shares in Vodafone Australia nor the significantly different growth prospects of both companies. However, they indicate that HTAL's contribution to VHA based on those metrics is significantly less than the 50% interest in VHA which HTAL will own if the Proposal is approved.

224 Prima facie the above analysis therefore indicates that the merger ratio is fair and reasonable to HTAL shareholders.

Operating and capital cost savings

225 If the Merger proceeds H3GA and Vodafone Australia expect VHA to realise significant operating and capital cost savings.

226 These savings are expected to result from:

(a) economies of scale benefits across procurement, product development, IT, network customer service and distribution expenses

(b) the elimination of some head office costs and duplicated publicity and marketing costs

(c) efficiencies in capital spend on network, IT and other business operations.

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227 HTAL management's preliminary estimates are that operating and capital cost savings of $350 million to $450 million per annum will be achieved from 2012. We have reviewed these estimates and consider that they are reasonable given the size of the respective businesses, however these projections are subject to the same qualifications described in paragraph 162. In the first two years subsequent to implementation of the Proposal significant capital expenditure and integration costs will be incurred for integration and synergy realisation. The additional capital expenditure is largely required to integrate the two networks.

228 Under the Proposal VHA will pay Vodafone a brand licensing fee equal to 1% of service revenues. While we understand that this fee is broadly consistent with the fee currently paid by Vodafone Australia[52] (and various subsidiary and affiliated companies of Vodafone), the results of HTAL and our valuation of H3GA do not reflect the payment of this brand licence fee on H3GA's service revenues. Accordingly, brand licence fees will increase if the Proposal is implemented.

229 VHA will also pay total licence fees of $30 million to the HWL group for the exclusive use in Australia of the "3" brand and the non-exclusive use of the "Hutchison Telecoms" brand, in each case for a period of three years from implementation of the Proposal.

230 Both HWL and Vodafone will be paid estimated fees of $7.5 million per annum and $40 million per annum respectively in connection with services provided for a transitional period of up to two years after implementation of the Proposal. We understand that these fees were determined after arm's length negotiation between HWL, HTAL and Vodafone. In the event that the services are no longer required beyond the two year transitional period we understand that H3GA will be able to terminate the services (other than certain core services from Vodafone which H3GA must continue to use).

231 The net present value of expected synergies (net of integration costs, additional capital expenditures and the additional brand licence fees) is shown below. Due to the inherent uncertainty associated with the achievement and timing of these benefits, the expected net benefits have been discounted at a rate which exceeds our estimate of the merged entity's cost of capital:

[52] We understand that Vodafone Australia's reported results are after expensing brand license fees (and other service charges) paid to Vodafone.

Low case				
Discount rate (after tax)	**12%**	**13%**	**14%**	**15%**
	$m	**$m**	**$m**	**$m**
NPV of operating and capital cost synergies	1,964	1,728	1,534	1,370
NPV of incremental licence fees	(238)	(217)	(199)	(184)
NPV of benefits net of licence fees	**1,726**	**1,511**	**1,335**	**1,186**
High case				
Discount rate (after tax)	**12%**	**13%**	**14%**	**15%**
	$m	**$m**	**$m**	**$m**
NPV of operating and capital cost synergies	2,508	2,208	1,961	1,753
NPV of incremental licence fees	(238)	(217)	(199)	(184)
NPV of benefits net of licence fees	**2,270**	**1,991**	**1,762**	**1,569**

232 It should be noted that the above values:

(a) do not allow for any revenue synergies, nor do they allow for any potential customer losses (over and above normal churn) during the integration process. While the merger is expected to result in a broader product offering, reflecting the best offerings from both companies, some customer losses are likely based on anticipated competitor response to the proposed merger

(b) exclude any tax benefits which may arise from adoption of the tax consolidation regime and associated step-up in asset values resulting from H3GA's acquisition of Vodafone Australia.

233 As HTAL will own 50% of the merged entity, HTAL shareholders will benefit from the significant synergies which are expected to be achieved.

Position of HTAL shareholders

234 Based on the values of the H3GA and Vodafone Australia businesses set out in paragraphs 204 to 207 and the estimated pro-forma financial indebtedness of the H3GA group as at 31 December 2008, the position of HTAL shareholders on implementation of the Proposal is set out below:

	HTAL contribution to H3GA $m	Vodafone contribution to H3GA $m	Combined position pre-synergies $m
Value of business	2,350[1]	2,850[2]	5,200
Pro-forma net debt[3]:			
Cash	45	45	90
Debt owed to HWL	(1,295)	-	(1,295)
Debt owed to Vodafone Subsidiaries	-	(1,795)	(1,795)
Net debt[3]	(1,250)	(1,750)	(3,000)
Value of equity contribution	1,100	1,100	2,200

Note:

1 Being the mid-point of our assessed value of the H3GA business (before debt) prior to implementation of the Proposal.

2 Being the mid-point value of the Vodafone Australia business implied by the merger terms.

3 Based on the net debt assumption adopted for the purposes of preparing the pro-forma balance sheet set out in the Explanatory Memorandum.

235 As indicated above:

(a) HTAL's equity contribution to the merged entity has a value of $1.1 billion (although this may change depending on the level of debt in the merged entity on implementation, which is to be agreed between the parties)

(b) Vodafone will make an equal equity contribution to the merged entity

(c) it is currently estimated that the merged entity will have $3.09 billion in debt, of which $1.295 billion will be owed to HWL and $1.795 billion will be owed to the Vodafone subsidiaries (including the priority loan for repayment purposes of $500 million).

236 Further, as set out in paragraph 231, the net present value of estimated operating and capital cost savings (net of incremental brand licence fees) ranges from $1.2 billion to $2.3 billion.

237 As 50% of these synergies will accrue to HTAL shareholders the implicit value of HTAL shares after implementation of the Proposal increases by $875 million (based on the mid-point of the synergy value)[53], as shown below:

[redacted]

		Mid-point $m
Value of HTAL equity in H3GA before implementation of Proposal	(a)	1,100
Value of HTAL equity in H3GA after implementation of Proposal:		
Value of H3GA equity post implementation		2,200
Value of synergies (net) [(1) (2)]		1,750
Value post implementation[(1)]		3,950
HTAL ownership interest		50%
Value of HTAL equity post implementation	(b)	1,975
Increase in value of HTAL	(b) – (a)	875

Note:
1 Net of integration costs, additional capital expenditures and additional brand licence fees.
2 Ignoring potential cost of capital reductions which should further increase the value of the merged entity.

238 In our opinion, the size of the synergy benefits significantly offsets the fact that HTAL will have only joint rather than full control of H3GA under the Proposal.

[53] Assuming comparable market conditions.

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Potential for market re-rating

239 In our opinion, if the Proposal is approved there is potential for HTAL shares to be re-rated by the market relative to their value in the absence of the Proposal. In this regard, following the announcement of the Proposal, the listed market price of HTAL shares increased as shown below:

	Low Cents	High Cents	VWAP Cents
Market price prior to announcement of Proposal:			
1 month to 5 February 2009[1]	8.2	10.0	9.2
3 months to 5 February 2009[1]	7.0	10.0	8.5
Market price post announcement of Proposal:			
9 February 2009 to 24 February 2009	9.5	14.5	11.8

Note:
1 Trading on Friday, 6 February 2009 has been excluded because the market price on that day increased significantly on above average volumes.

240 In our opinion, there is potential for a further re-rating of HTAL shares over time. This is because:

(a) the envisaged cost savings and synergy benefits are significant, as discussed above

(b) the increased size and increased strength of the merged company will allow it to pursue growth opportunities not available to either company on a standalone basis

(c) the merger may result in improved market liquidity and demand from institutions for HTAL shares

(d) the risk profile of the merged company will be reduced due to its increased size and stronger financial position

(e) as discussed below the ability of the merged entity to obtain external debt finance (without shareholder support) will be significantly enhanced.

241 As set out in Section VI, in our opinion, H3GA is unlikely to be able to obtain any external debt facilities at the current time unless HWL provides appropriate guarantees. Accordingly, we valued H3GA prior to implementing the Proposal (on a standalone basis) assuming the business is entirely equity funded.

242 However, if the Proposal is approved the merged business will be significantly larger, with significantly higher cash flows and is projected to be more profitable than the combined standalone businesses of H3GA and Vodafone Australia. As a result the ability of the merged group to obtain external debt finance (without shareholder support) will be significantly enhanced, which should reduce the merged group's cost of capital and increase the value of the merged entity.

243 Shareholders should also note that if the Proposal does not proceed the market price of HTAL shares is likely to fall.

Impact on future dividends

244 As set out in Section III, HTAL incurred a loss of $163.1 million in the year ended 31 December 2008. While HTAL management expect profitability to continue to improve[54], it is likely to be many years before HTAL is in a position to pay a dividend to shareholders in the absence of the Proposal.

245 In contrast Vodafone Australia generated a profit after tax of $106.7 million in the year ended 31 March 2008. Further, the merged company (VHA) is expected to generate significant synergy benefits as discussed above. As a result, in our opinion, the capacity of HTAL to pay dividends in future is significantly enhanced if the Proposal is approved.

246 However, HTAL shareholders should note that:

(a) no dividend can be paid by VHA if any principal or interest on the $500 million priority loan owed to Vodafone is outstanding

(b) the proposed Shareholders Agreement to be signed between HTAL, HWL and Vodafone states an intention to fund the VHA business plan from the cash flow of the business

(c) due to the need to fund integration costs, additional capital expenditures to integrate the networks and service debt of approximately $3.0 billion[55] in the merged entity, dividends from VHA are unlikely for several years.

[54] This profit expectation is subject to the same qualifications described in paragraph 162 with respect to the earnings and cash flow projections.
[55] Refer paragraph 234.

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Potential dilution

247 In the event that VHA requires additional funding the shareholders have agreed that VHA can seek to obtain debt funding from third party commercial lenders on a non-recourse basis.

248 To the extent that third party debt finance is not available to cover required funding, VHA must give written notice to its shareholders requesting funding from them. To the extent that one shareholder (the Higher Funding Shareholder) has committed to provide more debt funding to VHA than the other (the Lower Funding Shareholder), then the Shareholders Agreement states:

(a) each shareholder will be required to provide debt funding in an amount equal to the amount committed by the Lower Funding Shareholder (pro-rata to their ownership interest in VHA)

(b) the Higher Funding Shareholder can elect whether to fund all or part of such amount which equals the difference between the total funding amount sought by VHA less the amounts provided by each shareholder as described in paragraph (a) (the Shortfall Amount), and can provide funding by way of either or a combination of:

(i) debt funding, which will attract a higher interest rate than the debt funding described in paragraph (a); or

(ii) equity funding, which will be in the form of ordinary shares in VHA at a 20% discount to the fair market value of VHA shares.

249 Consequently, HTAL shareholders should note that their ownership interest in VHA could be diluted if HTAL does not provide its pro-rata share of any required funding. However:

(a) we are instructed that VHA expects to have sufficient funding to meet projected integration costs

(b) we note that HWL has continued to provide financial support to HTAL in the past and, given its shareholding in HTAL, is likely to continue to do so in the future.

H3GA tax losses

250 As stated in Section VI, H3GA has approximately $2.7 billion in income tax losses. The ability of the merged group to utilise these income tax losses is dependent on VHA[56] being able to meet either the continuity of ownership test or the same business test. There is an inherent risk that these tax losses will not be able to be utilised by the merged group as a result of implementing the Proposal.

251 However, this may be offset (in part) by potential tax benefits which may arise from adoption of the tax consolidation regime and associated step-up in asset values resulting from H3GA's acquisition of Vodafone Australia.

Ownership and control issues

252 In assessing whether the Proposal is fair and reasonable to the non-associated shareholders in HTAL we have also considered whether the Proposal has any impact on the ownership and control issues from the perspective of the non-associated shareholders in HTAL.

253 As noted above the parties intend that the ongoing aspects of the Proposal be effected by HWL, HTAL and Vodafone[57] entering into a Shareholders Agreement. It is proposed that the Shareholders Agreement includes an undertaking to be given by HWL to Vodafone that limits the ability of HWL to dispose of its shares in HTAL, and of HTAL to dispose of its shares in VHA. Vodafone will provide a broadly parallel undertaking as regards its interest in wholly-owned subsidiary companies holding investments in VHA, and as regards the shareholding interest of the subsidiary companies in VHA.

254 In broad terms, the disposal restrictions in the Shareholders Agreement provide that:

(a) during an initial period of three years, neither HTAL or the Vodafone Shareholders can dispose of its direct shareholding in VHA. Subsequent to that period either shareholding party wishing to dispose of its interest in VHA is subject to pre-emptive, tag along and exit rights set out in the Shareholders Agreement[58]; and

[56] H3GA will be renamed VHA if the Proposal is implemented.
[57] Including respective wholly owned subsidiary companies of HTAL and Vodafone that are or will be the registered holders of shares in H3GA.
[58] These rights are more fully described in the Explanatory Memorandum.

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(b) during the term of the Shareholders Agreement, neither HWL or Vodafone can dispose of its indirect shareholding in VHA (including, in the case of HWL, HTAL shares and, in the case of Vodafone, the shares in the subsidiary companies which hold VHA shares) except pursuant to the pre-emptive, tag along and exit rights set out in the Shareholders Agreement.

255 These provisions are referred to in our report as the Lock-up Arrangement.

256 The Lock-up Arrangement therefore reinforces HWL's long term commitment to HTAL through legally binding agreements.

257 In addition, whilst pursuant to the Proposal Vodafone will be deemed (under the Corporations Act) to have acquired a relevant interest in more than 20% of HWL's shares in HTAL, it should be noted that Vodafone is not actually acquiring a shareholding in HTAL. Furthermore, Vodafone will not have any beneficial ownership interest in those shares, nor any control over the voting rights attached to those shares. Consequently, control of HTAL does not change as a result of the Lock-up Arrangement.

258 The key disadvantage of the Lock-up Arrangement is that the non-associated shareholders in HTAL are unlikely to receive a third party takeover offer during the period of the restrictions. However, in our opinion, this disadvantage is relatively minor because:

(a) in our opinion, it is more likely that HWL will buy-out minority shareholders in HTAL rather than reduce its shareholding. This is because HTAL's business is an integral part of HWL's global telecommunications business and because HWL already owns 87.87% of HTAL on a fully diluted basis

(b) the Lock-up Arrangement with Vodafone does not prevent HWL making a takeover offer for all the shares in HTAL

(c) given the size of HWL's investment in HTAL and its related funding commitments, we consider a sale by HWL of its shareholding in HTAL during the term of the Lock-up Arrangement in the absence of the Proposal to be unlikely in any event.

Pre-emptive rights

259 Under the proposed Shareholders Agreement between HWL, HTAL and Vodafone we note that if Vodafone wants it dispose of its shares in the merged entity (VHA) it must first offer the shares to HWL rather than HTAL. This pre-emptive right does not therefore directly benefit HTAL shareholders (unless HWL nominates HTAL or an HTAL subsidiary to acquire any shares that are offered to HWL) but may solely benefit HWL, who would increase its overall voting interest in H3GA if this right was exercised.

Voting interest in VHA

260 HTAL shareholders should also note that if HWL's "Effective Interest" in H3GA (being essentially the sum of its direct and indirect shareholding interest in H3GA, expressed as a percentage) falls below 33.5%, certain rights held by HTAL regarding the appointment of directors and veto rights regarding major policy matters will be reduced or lost.

261 In this regard we note that HWL currently holds 87.87% of HTAL on a fully diluted basis, which translates to an indirect interest in VHA of approximately 43.9%.

Participation in future HTAL capital raisings

262 Under the proposed Shareholders Agreement we also note that if HTAL proposes to undertake a capital raising other than a pro-rata entitlement offer to existing shareholders, then Vodafone has the first right to subscribe for:

(a) all (but not some) new shares to be issued by way of a placement

(b) all or some of the new shares if there is a public share offer (other than a pro-rata entitlement offer to existing shareholders).

263 As such capital raisings are normally priced at a discount to the listed market price such an issue may be dilutionary to HTAL shareholders at the time. However, this dilutionary impact can be avoided by HTAL undertaking a pro-rata entitlement or rights issue to all HTAL shareholders.

Use of Vodafone brand

264 HTAL shareholders should note that the merged entity will only have the exclusive right to use the Vodafone brand in Australia until three years after Vodafone ceases to have any direct or indirect shareholding interest in VHA. If that were to occur the merged entity would therefore need to negotiate a new brand agreement with Vodafone or rebrand its service offering at significant expense to VHA, although VHA would no longer need to pay any brand licensing fee to Vodafone.

Interest free loan

265 Currently, HWL provides some operational funding to H3GA on an interest free basis. However, if the Proposal is approved we understand that H3GA will need to pay interest on any loans to H3GA by HWL or HTAL, as well as on the comparative loan from Vodafone.

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266 HTAL shareholders will therefore lose the benefit of the interest free loan currently made by HWL to H3GA. However, we understand that the interest free status of the existing loan from HWL was temporary in nature and that HWL would have sought to charge a commercial rate of interest on its loans to H3GA in any event in the short-term.

Conclusion

267 In our opinion the Proposal is fair and reasonable to the non-associated shareholders in HTAL. This is because:

(a) the advantages of the Proposal significantly outweigh the disadvantages from the perspective of HTAL's non-associated shareholders

(b) the merger terms are fair and reasonable to HTAL shareholders.

268 The advantages and disadvantages of the Proposal as identified by us are summarised below:

Advantages

(a) the merger terms are fair and reasonable to HTAL shareholders

(b) the proposed merger of the H3GA and Vodafone Australia businesses is expected to realise significant operating and cost savings (net of incremental licence fees) worth $1.2 billion to $2.3 billion which we have assessed using discount rates of 12% to 15% per annum (after tax). 50% of these savings will accrue to HTAL shareholders

(c) if the Proposal is approved the underlying improvement in H3GA's earnings and cash flows should result in an enhancement to the value of HTAL shares (assuming comparable market conditions)

(d) the increased size and strength of the merged company should allow it to pursue growth opportunities not available to either company on a standalone basis

(e) the risk profile of the merged company will be reduced due to its increased size, significantly higher cash flows and stronger financial position

(f) the merger should significantly enhance the prospects of H3GA (VHA) being able to obtain external debt finance (without shareholder support), reducing the merged group's cost of capital and increasing value

(g) the capacity of HTAL to pay dividends in future is significantly enhanced if the Proposal is approved (although HTAL is unlikely to be in a position to pay dividends for a number of years)

Disadvantages

(h) the Proposal involves HWL, HTAL and Vodafone entering into a Shareholders Agreement which will limit the ability of HWL to dispose of its shares in HTAL and HTAL to dispose of its shares in VHA

(i) the limit of HWL's ability to dispose of its shareholding in HTAL also means that the non-associated shareholders in HTAL are unlikely to receive a takeover offer from a third party during the term of the Shareholders Agreement. However, in our opinion, this disadvantage is minor because HWL is more likely to make a takeover offer for all the shares in HTAL rather than sell its shareholding

(j) there is an inherent risk that H3GA's income tax losses may not be able to be utilised by the merged group as a result of implementing the Proposal

(k) certain rights held by HTAL regarding the appointment of directors and veto rights regarding major policy matters in connection with H3GA will be reduced or lost in the event that HWL's "Effective Interest" in H3GA (being essentially the sum of its direct and indirect shareholding interest in H3GA, expressed as a percentage) falls below 33.5%

(l) HTAL shareholders will lose the benefit of the interest free loan currently made by HWL to H3GA if the Proposal is approved (although we understand this benefit was temporary in nature and would have been lost in the short-term in any event).

269 Further, whilst Vodafone will be deemed to have acquired a relevant interest in HWL's shares in HTAL arising from the restriction on the disposal of HTAL shares by HWL, it should be noted that:

(a) Vodafone is not actually acquiring a shareholding in HTAL

(b) Vodafone will not have any beneficial ownership interest in HTAL shares, nor any control over the voting rights attached to HWL's shares in HTAL.

270 We therefore recommend that HTAL shareholders vote in favour of the Proposal.

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Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (LEA) (ABN 53 095 445 560) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to HTAL shareholders in connection with the Proposal.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Appendix A

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER our fees are based on a time cost basis using agreed hourly rates.

9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOSL), an external complaints resolution service. You will not be charged for using the FOSL service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

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Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 15 years and 20 years experience respectively in the provision of valuation advice.

Declarations

3 This report has been prepared at the request of the Directors of HTAL to accompany the Explanatory Memorandum to be sent to HTAL shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether the Proposal is fair and reasonable to HTAL shareholders not associated with HWL.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposal. LEA is entitled to receive a fee for the preparation of this report based on time expended at our standard hourly professional rates. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

5 As a condition of LEA's agreement to prepare this report, HTAL agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of HTAL which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

6 LEA consents to the inclusion of this report in the form and context in which it is included in HTAL's Explanatory Memorandum.

Appendix C

Brief description of listed telecommunication companies

Australian integrated telecommunication companies

Telstra Corporation Limited

1 Telstra Corporation is a telecommunications and information services company. Its primary activities include the provision of basic access to homes and businesses in Australia, local and long distance and international telephone calls, mobile telecommunication services, data and internet services, wholesale services to other carriers and carriage service providers, advertising, and directories and information services. In FY08 mobile and wireless broadband revenue represented 25.7% of total revenue.

Singapore Telecommunications Ltd

2 Singapore Telecommunications provides services and solutions in fixed, mobile and data communications, internet, information technology and consultancy and satellite. Its other businesses include subscription television and the sale of telecommunications equipment. Singapore Telecommunication's mobile segment in FY08 accounted for 27.0% of total revenue.

Telecom Corporation of New Zealand Ltd

3 Telecom Corporation of New Zealand provides telecommunication services and products to New Zealand and Australian residential and business customers, including local, national and international calls, mobile services, wireless data services, paging, cellular equipment sales, data transmission services, dial up and IT services. Telecom New Zealand's mobile segment represented 14.7% of total operating revenue in FY08.

Wireless telecommunications companies

China Mobile Ltd

4 China Mobile is the world's largest mobile telecommunications services provider with over 460 million subscribers. It also has the world's largest mobile network. It offers telecommunications and related services in 31 provinces, regions and municipalities in mainland China and Hong Kong.

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Appendix C

Vodafone Group Plc

5 Vodafone Group is the world's second largest mobile telecommunication services company with 289 million customers. The company has a significant presence in Europe, the Middle East, Africa and the US. Voice services currently provide 75% of group revenue and the company also offers a range of devices, such as handsets, third generation broadband devices and modems.

NTT DoCoMo Inc

6 NTT DoCoMo, is Japan's largest mobile telecommunications company with more than 54 million customers. The company offers a range of telecommunications services, such as third generation (3G) and second generation (2G) cellular services, and other specialised wireless telecommunications services, including satellite telephone services.

America Movil SAB de CV

7 America Movil is a provider of wireless communications services in North and South America, with over 182 million wireless subscribers in 17 countries. It is the fourth largest mobile network operator in the world based on subscriber numbers.

Turkcell Iletisim Hizmetleri AS

8 Turkcell is Turkey's leading provider of mobile and value-added telecommunication services. The company utilises a high quality wireless telephone network and has approximately 36 million pre-paid and postpaid subscribers.

SK Telecom Co Ltd

9 SK Telecom is a wireless telecommunications services provider based in South Korea. It currently services some 50% of the South Korean wireless market and has introduced a number of innovative technologies to its customer base. The company is controlled by SK Group.

Telenor ASA

10 Based in Norway, Telenor is primarily a wireless carrier with operations in Scandanavia, Eastern Europe and Asia. Telenor is also the provider of television services in the Nordic region. The company is ranked as the seventh largest mobile carrier in the world with 143 million subscribers.

Telephone and Data Systems Inc

11 Telephone and Data Systems is a US based diversified telecommunications service company providing wireless, broadband and telephone services to over 7 million customers. Telephone and Data Systems owns 80% of United States Cellular Corporation which is the sixth largest wireless telecom service provider in the US.

TIM Participacoes SA

12 TIM Participacoes is a wireless mobile service provider in Brazil. The company has a subscriber base of 35.2 million clients representing a market share of approximately 25% of the Brazilian mobile market.

NII Holdings Inc

13 NII Holdings (formerly Nextel International) provides digital wireless communication services primarily to business customers in Mexico, Brazil, Argentina and Peru under the Nextel name. The company has a subscriber base of 5.4 million and uses a transmission technology called integrated digital enhanced network (iDEN) technology, to provide digital mobile services on 800 megahertz spectrum.

Cellcom Israel Ltd

14 Cellcom Israel is a provider of cellular communications services in Israel to 3 million customers. The company offers basic and advanced cellular telephone services, text and multimedia messaging services, and advanced cellular content and data services, however, most of its business is centred on wireless services.

Total Access Communications PCL

15 Total Access Communications is Thailand's second largest wireless telecom with a customer base of 15 million. The company provides wireless telecommunication service in 800-megahertz and 1800-megahertz frequency bands. It is controlled by Telanor ASA, a Norwegan company.

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Appendix C

Leap Wireless International Inc

16 Leap Wireless International is a digital wireless service company in the US, with services provided though its subsidiaries Cricket Communications and Jump Mobile. Leap Wireless International has approximately 2.9 million customers. The company's plans are designed to attract customers by offering wireless services that offer service on a flat-rate, unlimited-usage basis, without requiring fixed-term contracts, early termination fees or credit checks.

Pilipino Telephone Corporation

17 Pilipino Telephone Corporation is a Philippines based telecommunications service provider with a primarily focus on wireless services. It is the third largest mobile business in the Philippines.

Etihad Etisalat Co

18 Etihad Etisalat is a Saudi Arabia-based company primarily engaged in the provision of wireless telecommunications services across Saudi Arabia. The company broke Saudi telecom's monopoly position with its introduction in 2004. Etihad Etisalat currently has 6.5 million subscribers.

MetroPCS Communications Inc

19 MetroPCS Communications is a Dallas-based provider of wireless communications service for a flat-rate with no signed contract. The company owns or has access to licenses covering a population of approximately 150 million people in the metropolitan areas of the US and has approximately 5.4 million subscribers.

Millicom International Cellular SA

20 Based in Luxemburg, Millicom International Cellular is a global mobile telecommunications operator with interests in 16 mobile operations in 16 countries. It is primarily focused on emerging markets in Central America, South America, Africa and Asia and has a subscriber base of some 20 million.

Taiwan Mobile Co Ltd

21 Taiwan Mobile is a telecommunications service provider principally engaged in mobile telephone communications services for general and corporate customers. The company is also involved in the provision of network and cable television services.

United States Cellular Corp

22 United States Cellular Corporation provides wireless service to approximately 7.2 million customers in 26 states of the US. It is the fifth largest wireless communications company in the US.

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Appendix D

Glossary

Abbreviation	**Definition**
3G	Third generation
ACCC	Australian Competition and Consumer Commission
AIFRS	Australian equivalent to International Financial Reporting Standards
ARPU	Average revenue per user
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CAC	Customer acquisition costs
CAPM	Capital asset pricing model
CRC	Customer retention costs
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FIRB	Foreign Investment Review Board
FY	Financial year
GDP	Gross domestic product
H3GA	Hutchison 3G Australia Pty Limited
HSDPA	High-Speed Downlink Packet Access
HTAL	Hutchison Telecommunications (Australia) Limited
HWL	Hutchison Whampoa Limited
IER	Independent expert's report
IPTV	Internet protocol television
ISP	Internet service provider
LEA	Lonergan Edwards & Associates Limited
Leanrose	Leanrose Pty Limited
MVNO	Mobile Virtual Network Operator
Non-associated shareholders	HTAL shareholders other than HWL
NPV	Net present value
NTA	Net tangible assets
Optus	SingTel Optus Limited
Proposal	The proposed merger of H3GA and Vodafone Australia
SIO	Services in operation
TCNZ	Telecom Corporation of New Zealand
VHA	VHA Pty Limited
Vodafone	Vodafone Group Plc
Vodafone Australia	Vodafone Australia Limited
Vodafone Shareholders	Vodafone Oceania Ltd, Vodafone Belgium SA and Vodafone International Holdings BV
VoIP	Voice over internet protocol
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

ANNEXURE 2 - SUMMARY OF DISPOSAL RESTRICTIONS IN IMPLEMENTATION AGREEMENT

STANDSTILL

*There are customary restrictions on the disposal of Hutchison Telecommunications (Australia) Limited (**HTAL**) shares by Hutchison Whampoa Limited (**HWL**).*

During the period beginning on the date of the Implementation Agreement (being 8 February 2009) and ending on:

- the earlier of 3 months after that date and the end of the meeting at which approval of HTAL shareholders is sought under section 611 item 7 of the Corporations Act 2001 (Cth) (***Shareholder Approval***) (in the event that Shareholder Approval is not obtained); and
- the earlier of completion of the Proposed Joint Venture and 31 December 2009 (if Shareholder Approval is obtained),

(the ***Standstill Period***), HWL must ensure that Hutchison Communications (Australia) Pty Limited (***HCAPL***) does not dispose or offer to dispose of any Ordinary Shares (or right or option over, or interest in any Ordinary Shares) and such number of Convertible Preference Shares (***CPS***) that when aggregated with the Ordinary Shares referred to above, result in Vodafone Group Plc (***Vodafone***) having control over disposal of 49.9% (by value) of the shares in HTAL (together, the ***Restrained Shares***).

The standstill extends to HWL ensuring that HCAPL does not enter into any arrangement involving the conferring of rights the economic effect of which is equivalent, or substantially equivalent to disposing of the Restrained Shares.

EXCLUSIVITY

*There are customary no shop, no talk and no due diligence undertakings given by HWL regarding its HTAL shares, HTAL regarding its ownership of Hutchison 3G Australia Pty Limited (**H3GA**) and Vodafone regarding its ownership of Vodafone Australia Limited (**Vodafone Australia**).*

No agreement, arrangement or understanding

Subject to the fiduciary carve out described below, during the period from the date of the Implementation Agreement (being 8 February 2009) until 31 December 2009 (the ***Exclusivity Period***), HTAL and HWL must not, and must ensure that H3GA and its subsidiaries (***H3GA Group***) do not, enter into any agreement, arrangement or understanding in relation to a Competing Proposal (as defined below). However, as described under the sub-heading "End of exclusivity" below, this restriction will in certain circumstances cease to apply to HWL and HTAL before 31 December 2009.

No shop

During the Exclusivity Period, each of HWL, HTAL and Vodafone must not and must ensure that its representatives do not, solicit, initiate, invite or encourage the submission of (including by way of providing information regarding another party to any person), whether directly or indirectly, any enquiries, negotiations or discussions with a view to obtaining, or which may reasonably be expected to lead to the receipt of, a Competing Proposal or communicate to any person an intention to do any of the things referred to in this paragraph.

No talk

Subject to the fiduciary carve out below, during the Exclusivity Period, each of HWL, HTAL and Vodafone must not and must ensure that its representatives do not, directly or indirectly enter into, continue or participate in any negotiations or discussions with any person regarding a Competing Proposal, whether any such discussions or negotiations are solicited, initiated, invited or encouraged by a party or its representatives or otherwise, or approve, recommend or endorse, or propose to approve, recommend or endorse, any Competing Proposal.

No due diligence

Subject to the fiduciary carve out below, during the Exclusivity Period, each of HWL, HTAL and Vodafone must not and must ensure that its representatives do not solicit, initiate, invite or encourage any person to undertake any due diligence investigations (whether legal, financial or otherwise), or make available to any other person or permit any other person to receive (in the course of due diligence investigations or otherwise) any non-public information, regarding the parties or any of their related bodies corporate or any of their businesses or operations with a view to obtaining or which may reasonably be expected to lead to receipt of a Competing Proposal.

Fiduciary carve out

The restrictions above (except for the no shop restriction) do not apply to the extent they restrict the HTAL Board from taking or refusing to take any action with respect to a bona fide Competing Proposal (which is in writing and was not solicited, invited, encouraged or initiated in contravention of the restrictions), provided that:

- the Competing Proposal involves a proposed acquisition of more than 50% of the Ordinary Shares, or a merger or amalgamation or acquisition of control of HTAL involving an acquisition of HTAL shares, and could reasonably be considered to be a Superior Proposal; or
- the HTAL Board, acting reasonably after receiving written legal advice from its external legal advisors, has determined that complying with the restrictions above (except for the no shop restriction) would be likely to constitute a breach of the Directors' fiduciary or statutory duties.

The fiduciary carve out does not apply to the restrictions above in relation to HTAL where they are in connection with any proposed acquisition, directly or indirectly (including by joint venture or otherwise), of any interest in all or a substantial part of the business or assets of HTAL or any member of the H3GA group.

Notification obligations

Each of HWL and HTAL has obligations to notify Vodafone of a Competing Proposal, and Vodafone has a reciprocal obligation to notify HWL and HTAL of a Competing Proposal.

End of exclusivity

If Shareholder Approval is not obtained at the HTAL shareholders meeting or if such shareholders meeting is not held within 3 months after the date of the Implementation Agreement (ie. not held by 8 May 2009):

- the exclusivity and notification obligations described above will cease to apply to HWL
- the exclusivity and notification described above will cease to apply to HTAL except in connection with any proposed acquisition, directly or indirectly (including by way of joint venture or otherwise), of any interest

- in all or a substantial part of the business or assets of HTAL or any member of the H3GA group; and the exclusivity and notification obligations described above will continue to apply to Vodafone.

BREAK FEES

Each of HWL, HTAL and Vodafone may be required to pay a break fee if certain events occur.

HTAL break fee

HTAL must pay to Vodafone a break fee of $20.55 million if either Shareholder Approval is not obtained or the HTAL general meeting is not held within 3 months after the date of the Implementation Agreement, ie. not held by 8 May 2009 (other than because HTAL was prevented from holding it because of a binding order of a court or the Panel or any other requirement under any law or imposed by any government authority), and if, during the Exclusivity Period, a number of events, including the following occurs:

- a majority of the Directors of HTAL qualify or withdraw their recommendation that HTAL shareholders vote in favour of the transaction except in the circumstances where the independent expert has opined that the transaction is not fair or reasonable to the HTAL shareholders;
- a majority of the Directors of HTAL who make a recommendation in respect of a Competing Proposal recommend to the HTAL shareholders that they accept, or vote in favour of, the Competing Proposal;
- HTAL convenes or following a requisition of members is compelled to convene, or a HTAL shareholder convenes, a meeting of HTAL shareholders at which

HTAL shareholder resolutions concerning a Competing Proposal are to be considered

(***Competing Proposal Resolutions***) and, in circumstances where HCAPL is not prevented from voting on the Competing Proposal Resolutions, HCAPL votes any of its Ordinary Shares in favour of any of the Competing Proposal Resolutions at the meeting, or in circumstances where HCAPL is prevented from voting on the Competing Proposal Resolutions, any of the Competing Proposal Resolutions are passed; or

- HTAL enters into any agreement in connection with a Competing Proposal.

HWL break fee

HWL must pay to Vodafone a break fee of:

- $36.1 million if:
  - either Shareholder Approval is not obtained or the HTAL general meeting is not held within 3 months after the date of the Implementation Agreement, ie. not held by 8 May 2009 (other than because HTAL was prevented from holding it because of a binding order of a court or the Panel or any other requirement under any law or imposed by any government authority); and
  - during the Exclusivity Period, HWL enters into an agreement with any person other than Vodafone or its related bodies corporate relating to a Competing Proposal (including an agreement resulting from HWL accepting, in relation to any of its Ordinary Shares, a takeover bid for HTAL); and
- $20.55 million if HTAL is required to pay a break fee.

Notwithstanding the foregoing, the total amount which may be payable by HWL and HTAL to Vodafone in the form of break fees is capped at $41.1 million.

Vodafone break fee

Vodafone must pay a break fee of $41.1 million to HWL if, during the Exclusivity Period, Vodafone or any of its related bodies corporate enters into any agreement in connection with a Competing Proposal.

No break fees if Shareholder Approval obtained

If Shareholder Approval is obtained, then none of the break fees described above are payable.

COMPETING PROPOSAL

A competing proposal in respect of HWL and HTAL means any expression of interest, proposal or offer by any person (other than Vodafone and its related bodies corporate):

(a) concerning any transaction involving HTAL or any of its subsidiaries which is similar to the Proposed Joint Venture (other than with Vodafone and its related bodies corporate);

(b) to HWL, HTAL, or any of their related bodies corporate, under which that person may:

(i) acquire a relevant interest in more than 50% of the Ordinary Shares or CPS;

(ii) acquire, directly or indirectly (including by way of joint venture or otherwise), an interest in all or a substantial part of the business or assets of HTAL or any member of the H3GA group; or

(iii) that person may, directly or indirectly, otherwise acquire control of or merge or amalgamate with HTAL or any member of the H3GA group.

A competing proposal in respect of Vodafone means any expression of interest, proposal or offer by any person (other than HWL and its related bodies corporate):

(a) concerning any transaction involving Vodafone Australia or any of its subsidiaries which is similar to the Proposed Joint Venture (other than with HWL and its related bodies corporate);

(b) to Vodafone or any of its related bodies corporate, under which, that person may:

(i) acquire, directly or indirectly (including by way of joint venture or otherwise), a relevant interest in more than 50% of the securities issued in the capital of Vodafone Australia or an interest in all or a substantial part of the business or assets of Vodafone Australia or the Vodafone Australia group; or

(ii) that person may, directly or indirectly, otherwise acquire control of or merge or amalgamate with Vodafone Australia or any member of the Vodafone Australia group.

CORPORATE DIRECTORY

Directors

Fok Kin-ning, Canning
Barry Roberts-Thomson
Chow Woo Mo Fong, Susan
Justin Herbert Gardener
Lai Kai Ming, Dominic
Kevin Russell
John Michael Scanlon
Frank John Sixt
Rod Snodgrass

Company Secretaries

Edith Shih
Louise Sexton

Investor Relations

Tel: (02) 9964 5157
Fax: (02) 9964 4649
Email: investors@hutchison.com.au
Web: www.hutchison.com.au

Registered Office

Building A, 207 Pacific Highway
St Leonards NSW 2065
Tel: (02) 9964 4646
Fax: (02) 9964 4668

Share Registry

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Tel: (02) 8280 7111
www.linkmarketservices.com.au

Auditor

PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
Sydney NSW 2000

Securities Exchange Listing

The ordinary shares of HTAL are listed on the Australian Securities Exchange (ASX code: HTA)

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Hutchison Telecoms

ABN 15 003 677 227

Please return your Proxy Form to:
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235
Telephone: 1800 629 116
Facsimile: (02) 9287 0309
ASX Code: HTA
Website: www.linkmarketservices.com.au

You can also lodge your vote on-line at www.linkmarketservices.com.au

APPOINTMENT OF PROXY

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you. This will assist in registering your attendance.

X99999999999

I/We being a member(s) of Hutchison Telecommunications (Australia) Limited and entitled to attend and vote hereby appoint

A the **Chairman of the Meeting (mark box)** ☐ **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at 2:00pm on Thursday, 2 April 2009, at the Conference Centre, Ground Floor, Building A, 207 Pacific Highway, St Leonards, NSW 2065 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

B **To direct your proxy how to vote on the resolution please insert** X **in the appropriate box below.**

	For	Against	Abstain*
Resolution 1 Acquisition of relevant interest	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

C **SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED**

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the *Corporations Act 2001* (Cwlth).

HTA PRX941

How to complete this Proxy Form

1 Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

3 Votes on Items of Business

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 2:00pm on Tuesday, 31 March 2009, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the reply paid envelope or:

– by posting or facsimile to Hutchison Telecommunications (Australia) Limited's share registry as follows:
  Hutchison Telecommunications (Australia) Limited
  C/- Link Market Services Limited
  Locked Bag A14
  Sydney South NSW 1235
  Facsimile: (02) 9287 0309

– lodging it online at Link's website (www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website);

– delivering it to the share registry, at Level 12, 680 George Street, Sydney NSW 2000.