Hutchison Telecoms

Hutchison Telecommunications (Australia) Limited
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Companies Announcements Office

Australian Stock Exchange

Date 18 August 2004

Subject: Half Year Results

Please find attached the Company's results for the half year to 30 June 2004 in the form of Appendix 4D. The Audit Review is also attached.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited [ABN 15 003 677 227] ASX Half-year information – 30 June 2004

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 31 December 2003 Annual Report.

Contents

Hutchison Telecommunications (Australia) Limited
Half-year ended 30 June 2004
(Previous corresponding period:
Half-year ended 30 June 2003)

Results for Announcement to the Market

				$'000
Revenue from ordinary activities *(Appendix 4D item 2.1)*	up	127.1%	to	311,251
Loss from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	up	116.9%	to	(280,539)
Net loss for the period attributable to members *(Appendix 4D item 2.3)*	up	116.9%	to	(280,539)

Dividends/distributions *(Appendix 4D item 2.4)*	Amount per security	Franked amount per security
Final dividend *(prior year)*	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the interim dividend — Day/Month/Year

(Appendix 4D item 2.5) — N/A

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2003 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Hutchison Telecommunications (Australia) Limited
Directors' report

Your directors present their report on the consolidated entity consisting of Hutchison Telecommunications (Australia) Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2004.

Review of Operations

During the 6 months to 30 June 2004, Hutchison recorded strong operating results with customer and revenue growth in both **3** and Orange mobile continuing to outperform the market.

- Mobile customer base increased by 52% from 31 December 2003 to 626,476 customers
- Total operating revenue of $306.7 million increased by 46% on the second half of 2003 and is more than double that of the corresponding period in 2003
- NLAT result of $280.5 million compared to $280.4 million in previous half-year and was within Company guidance and expectations
- As at 18 August 2004, the Company's mobile customer base had grown to 691,000.

Note: The commentary included in the review of operations for the reporting period has been compared to the performance in the previous half year ending 31 December 2003. A comparison to the first six months of 2003 would not reflect the launch of the Company's 3G business in mid 2003.

Key Financial Data

A$ million

	Half year 30 June 2004	Half year 31 Dec 2003	Half year 30 June 2003
Revenue (i)			
3	**144.6**	74.6	13.6
Orange mobile	**149.3**	120.2	101.7
Other services	**12.8**	14.8	15.2
Total revenue	**306.7**	209.6	130.5
Operating expenses (ii)			
3	**-303.8**	-261.6	-87.1
Orange	**-149.0**	-117.5	-105.2
EBITDA (iii)			
3	**-159.2**	-187.0	-73.5
Orange	**13.1**	17.5	11.7
EBIT (iv)	**-260.7**	-278.8	-119.9
NPAT (v)	**-280.5**	-280.4	-129.4

(i) Total revenue from operating activities and excludes interest income and other non-operating revenue.
(ii) Total operating expenditure excluding depreciation, amortisation and borrowing costs.
(iii) Revenue less operating expenses.
(iv) Earnings before interest expense, interest revenue, taxation and outside equity interests.
(v) NPAT attributable to Hutchison Telecommunications (Australia) Ltd after outside equity interests.

Key Mobile Business Indicators

	As at 30 June 2004	As at 31 Dec 2003	As at 30 June 2003
3 customers	**240,071**	86,758	18,435
Orange mobile customers	**386,405**	325,180	278,861
Total mobile customers	**626,476**	411,938	297,296
3 churn (i)	**1.1%**	1.1%	n/a
Orange mobile churn (i)	**2.0%**	2.0%	2.0%
3 ARPU (ii)	**$85**	$80	n/a
Orange mobile ARPU (iii)	**$57**	$54	$56
3 non-voice ARPU (ii)	**$10**	$10	n/a

(i) Churn represents the average monthly churn of the mobile customer base for the period (excluding churn between Orange mobile and **3**).
(ii) Amount represents the monthly average revenue per post-paid mobile customer at the end of the period.
(iii) ARPU represents the monthly average revenue per post paid mobile customer for the six months period.

Operating Results

As at 30 June 2004, the Company's combined mobile customer base was 626,476 across **3** and Orange mobile.

3, the Company's brand for its W-CDMA 3G services launched in mid-2003, had 240,071 customers at the end of the reporting period, a net growth of over 153,000 post-paid customers in the six month period to 30 June 2004.

In parallel, the Orange mobile customer base grew by 19% to 386,405 customers, representing a net growth of more than 61,000 post-paid customers. This compares favourably to a net growth of approximately 15,300 and 46,300 in the 6 months ended 30 June and 31 December 2003 respectively.

Also at 30 June, the Company had 47,200 Orange paging, messaging and resale customers, a small decline over the position at 31 December 2003.

Total operating revenue for the reporting period was $306.7 million; representing a 46% increase compared to the six months ended 31 December 2003. This result was driven by strong customer and ARPU growth in both **3** and Orange mobile.

The **3** business reported operating losses consistent with the Company's guidance and expectations of the business' initial stages of development. During the reported half, the business recorded a negative EBITDA of $159.2 million, an improvement on the negative EBITDA of $187.0 million in the previous half. The reduction in EBITDA losses reflects the increase in revenue partially offset by customer acquisition costs as a result of higher growth rates.

The Orange business delivered another half year of positive EBITDA result. EBITDA for the first half of 2004 was $13.1 million compared to $17.5 million in the previous half. The decline is mainly due to the higher growth in customer acquisition rates and associated acquisition costs. The revenue benefits of the higher growth rates in the first half of 2004 will be reflected in the second half of 2004.

The Company's net loss after tax for the period was $280.5 million compared to a net loss of $280.4 million in the half year ending 31 December 2003. Revenue growth has been partially offset by increased acquisition costs as well as higher depreciation of network assets and higher borrowing costs on the start-up funding of the **3** business.

Product Review

The competitive environment in the first half of 2004 continued to place significant market pressures on customer acquisition and retention, including the introduction of more aggressive rate plans for voice services, $0 handset offers, porting credits, anti-competitive bundling and other retention strategies by incumbent operators.

Despite these market conditions, the Company's core businesses, **3** and Orange mobile, continued to demonstrate strong appeal resulting in record customer and revenue growth.

3

Following the introduction of services in mid 2003, **3** maintained its strong position in post-paid customer growth and customer revenue profile. The business recorded $144.6 million of operating revenue for the reporting half, an increase of 94% from the half-year ending 31 December 2003.

During the reported half, the highly successful "$99 Talk Cap" plan launched in 2003 continued to sell well, particularly to the higher spend mobile customers. The Company also enhanced its service plan options with $0 upfront handset offers featuring a range of minimum monthly commitments and a choice of business plans. The new pricing plans expanded the pool of potential customer segments while continuing to offer consumers and business users highly competitive voice offers made possible by the network efficiencies of 3G technology, as well as access to an unmatched range of video based services and high-speed mobile data access.

Earlier this month the Company announced the introduction of a pre-paid product to its product range, which will further broaden the appeal of **3** services.

Monthly churn, a useful indicator of customer satisfaction, was 1.1% for the period of operation, well within industry benchmarks.

Reported average revenue per user (ARPU) of $85 continued to be significantly above the industry average and has increased by 6% compared to the reported figure in 2003. Non-voice ARPU was steady at $10 a month despite a broadening of the customer base.

Non-voice ARPU was supported by a significant expansion to the depth and breadth of **3**'s content offering. This includes the introduction of high profile and innovative services such as live streaming cams from the Big Brother house, full audio tracks and music videos from Sony and Warner Music, premier services and a comprehensive range of local and international sports content. The services, which are unrivalled in the industry, will continue to evolve and expand in the second half of the year.

Significantly, the business handset range was strengthened during the reported half, particularly with the introduction of an LG handset model, which was a significant improvement in form factor and battery life. Other handset models have since been introduced and the range now includes handsets from Nokia, Sony-Ericsson, Motorola and NEC. In April, the Company also launched a wireless broadband data card for PC users designed primarily for mobile professionals, small to medium-sized businesses and those with field work forces.

The handset roadmap for the remainder of 2004 remains strong and handset prices are expected to continue to decline.

During the reporting period, 8 Company owned **3** shops have been added to the Company's distribution reach for a total of 65 shops and over 500 selling points of presence. Further expansion is expected in 2004 together with some additions in direct, dealer and other sales channels.

Network enhancements continue and the Company is on track to complete the peripheral build of over 200 network sites this year. This will bring the number of sites to approximately 2,000 across the licence areas. As a result of this and improvements in software and network optimisation, the average national dropped voice call rate has fallen to 2 percent. This compares favourably to incumbent GSM network performance in the metro areas.

On 4 August 2004 the Company announced the signing of a Heads of Agreement with Telstra Corporation Limited for the sharing of its 3G W-CDMA radio access network. Under the agreement, Telstra and Hutchison 3G Australia (H3GA), a subsidiary of Hutchison, will establish a 50/50 enterprise to jointly own and operate H3GA's existing 3G radio access network and fund future network development. The agreement also allows both parties to share their 3G spectrum. In return for the 50 per cent beneficial interest in the radio access network, Telstra has agreed to pay Hutchison $450 million under a fixed payment schedule starting November 2004.

The agreement is a strong endorsement of the quality of the Company's 3G network and puts in place another building block that assists the business in achieving an industry leading operating cost structure. Significantly, the agreement cements the longer term position of the Company at the forefront of 3G service quality and network footprint whilst allowing both parties to compete on products, services and other aspects of retail offers.

The agreement is subject to various regulatory and board approvals and final agreements are expected to be finalised by November 2004.

As at 18 August 2004, **3** had over 291,000 customers on its network, adding just over 34,000 customers in the July month alone. The weighted average revenue per user for the first seven months of the year continued to outperform the industry at $91, of which 11% represents revenue from non-voice services.

Orange Mobile

During the reporting period, Orange mobile continued to maintain its lead on simple value voice offerings in the market. Despite the increasingly competitive operating environment, customer growth in 2004 has already exceeded the growth for the whole of 2003. Underlying revenue for the period grew to $149.3 million, from $120.2 million in the previous half and $101.7 million in the corresponding 30 June half.

This strong performance reflects Orange's ongoing strategy to offer a variety of pricing initiatives targeted at different sectors of the market. The "2 for 1" and "capped" plans were introduced in late 2003 and re-launched early this year with new pricing structures. The range of Orange plans cater to high spend customers who use their mobile device as a key communication tool and those who combine their mobile and home fixed line usage into the one communication tool. All rate plans are designed to stimulate increased voice and SMS usage, including migration of fixed-line usage through a combination of aggressive mobile rates, on-net (Orange to Orange) and fixed line (Orange to land-line) price incentives.

The pricing plans were supported by significant improvements to the handset range including the introduction of high-resolution colour screen phones from leading manufacturers.

As a result, the Orange mobile business reported a strong increase in voice usage and a 6% increase in the ARPU from $54 in the previous half year to $57 in the reporting period.

Average customer acquisition costs remain relatively stable, are in line with the prior periods and are considered to be at an acceptable level in the current market conditions.

Capacity expansion of the Orange CDMA network is progressing well and first phase of the upgrade is due for completion this month. The expansion, using 1x technology, was announced in January and was prompted by strong customer growth and increased usage demands on the network. The upgrade comprises an overlay on existing base station sites as well as four new sites and an upgraded voicemail system.

Orange Paging, Messaging and Resale

The Company's other Orange branded products include Orange Paging, Messaging and CDMA Resale Services. With a combined customer base of 47,200 as at 30 June 2004, these products delivered $12.8 million of revenues for the half-year compared to $14.8 million in the half year ending 31 December 2003. Although there is declining demand in these non-core services they continue to be profitable.

Operating Expenditure

Total operating expenditure for the Company's Orange and **3** businesses was $452.8 million in the reporting period compared with $379.1 million in the half year ending 31 December 2003. This reflects a $31.5 million increase in the Orange business and an increase of $42.2 million in the **3** business.

Consolidated direct costs of providing telecommunications goods and services increased from $208.5 million in the previous half-year to $296.4 million in the reporting period. The change mainly reflects costs associated with customer acquisition and care costs for the growing customer bases in the Orange and **3** businesses.

Employment costs expensed in the reporting period declined from $58.5 million in the previous half year to $50.3 million in the reporting period due to a continued tightening of the cost structure. The **3** business had 940 employees compared with 980 at the end of the previous half year. Headcount supporting the

Orange business was 309 as at 30 June compared with 243 at the end of 2003. The increased headcount primarily caters for the increase in customer acquisition activity.

Expenditure on advertising and promotions declined to $40.6 million compared with $50.0 million in the 6 months ended 31 December 2003. The previous half included advertising and promotional costs associated with the launch of **3**.

Rental expense has increased from $35.4 million to $37.3 million in the reporting half mainly due to an increase in the number of network sites to support the launch of the **3** network.

The expense charged for bad and doubtful debts for the current reporting period increased in line with growth in the customer base to $6.7 million from $4.4 million in the 6 months to 31 December 2003.

Other operating expenditure includes travel and accommodation, consulting and professional fees, general repairs and maintenance and office expenses. Total other operating expenditure of $21.5 million fell by 3.6% compared to the previous half ending 31 December 2003.

Capital Expenditure and Funding

Total payments on capital expenditure for the Company's Orange and **3** businesses in the 6 months to 30 June was $111.6 million compared with $106.7 million in the half year ended 31 December 2003. With planned capacity expansion on both the **3** and Orange mobile networks and final payments for network acceptance becoming due, the Company expects a higher level of capital expenditure in the second half of 2004.

Capital expenditure on the development of the **3** operations totalled $105.0 million including site deployment, network, IT systems and product development.

Depreciation and amortisation of network and licence assets of the **3** business was $87.0 million for the reporting period compared to $81.1 million in the second half of 2003.

Total capital expenditure for the Orange business for the reporting period was $6.6 million, comprising initial network payments required as part of the capacity upgrade to the Orange CDMA network. Capital expenditure requirements for the upgrade have been estimated at approximately $40 million, of which the majority of network payments are to be made in the second half of 2004.

Depreciation and amortisation for the Orange business of $30.6 million in the 6 months to 30 June compares to $33.9 million for the prior reporting period.

Consolidated borrowing costs of $76.6 million have increased from $58.6 million in the previous half year. During the reporting period, short-term loans of $423.3 million have been drawn down to fund capital expenditure and working capital requirements principally in the **3** business.

As at 30 June, the Company had $3.0 million of cash invested in short term deposits and cash at bank and on hand of $37.0 million. Borrowings consisted of $196.0 million from the immediate parent company, a $425.0 million medium term note issue, $600.2 million of convertible notes and $1.0 billion in short-term funding.

Subsequent to 30 June, a $1.5 billion five-year bank facility was put in place on 17 August to refinance the short-term facilities and to provide working capital support for the Company's 3G business. The syndicated facility generated a strong response at competitive pricing and reflects a solid endorsement of the Company's financial security. The **3** operation also has further facilities in place with Hutchison Whampoa Limited which are undrawn.

Outlook

Continuing to deliver strong customer and revenue growth across both **3** and Orange mobile will remain the key focus for the Company in the second half of the year. Customer profitability and operational performance will also continue to be a priority together with ongoing attention to network capacity and performance.

3's unique product and price offering will remain a key leverage for customer acquisition throughout the year. Further expansion and enhancements to video based content services will be delivered as part of the Company's commitment to maintain its current product and brand leadership position.

Growth in the Orange business remains solid and the business continues to operate with strict cost discipline. The business has successfully established itself as a leading value proposition in the mobile market and is expected to remain a strong competitor for basic voice and messaging services in the second half of the year.

Directors

The following persons were directors of Hutchison Telecommunications (Australia) Limited during the whole of the half-year and up to the date of this report:

FOK Kin-ning, Canning
LUI Pok-Man, Dennis
Barry ROBERTS-THOMSON
Justin H.GARDENER
Holger KLUGE
Frank John SIXT

Mr Chan Ting Yu was a director from the beginning of the period until his resignation on 10 May 2004.
LAI Kai Ming, Dominic was appointed a director on 19 May 2004 and remains a director.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.

FOK Kin-ning, Canning
Director
18 August 2004

Hutchison Telecommunications (Australia) Limited
Consolidated statement of financial performance
For the half-year ended 30 June 2004

	Half-year	
	6 months to 30 June 2004 ($'000)	6 months to 30 June 2003 ($'000)
Revenue from operating activities	**306,713**	130,498
Other revenue	**4,538**	6,557
Revenue from ordinary activities	**311,251**	137,055
Direct cost of provision of telecommunication services and goods	**(296,439)**	(101,671)
Depreciation and amortisation	**(117,621)**	(60,348)
Borrowing costs	**(76,555)**	(33,241)
Employment costs	**(50,273)**	(33,281)
Advertising and promotions	**(40,591)**	(21,869)
Rental expense relating to operating leases	**(37,321)**	(14,804)
Bad and doubtful debts	**(6,678)**	(2,770)
Other expenditure	**(21,521)**	(17,949)
Loss from ordinary activities before income tax	**(335,748)**	(148,878)
Income tax	**-**	-
Loss from ordinary activities after income tax	**(335,748)**	(148,878)
Profit (loss) from extraordinary items after income tax	**-**	-
Net loss	**(335,748)**	(148,878)
Net loss attributable to outside equity interest	**55,209**	19,516
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited	**(280,539)**	(129,362)
Total revenue, expenses and valuation adjustments, attributable to members of Hutchison Telecommunications (Australia) Limited recognised directly in equity	**(280,539)**	(129,362)
Total changes in equity other than those resulting from transactions with owners as owners	**(280,539)**	(129,362)
	(Cents)	(Cents)
Basic earnings per share	**(41.3)**	(19.1)
Diluted earnings per share	**(41.3)**	(19.1)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited
Consolidated statement of financial position
As at 30 June 2004

	30 June 2004 ($'000)	31 December 2003 ($'000)
Current assets		
Cash	**37,049**	34,282
Receivables	**198,328**	97,867
Inventories	**55,320**	27,304
Other	**57,828**	71,850
Total current assets	**348,525**	231,303
Non-current assets		
Receivables	**30,102**	16,992
Property, plant and equipment	**1,199,223**	1,151,512
Intangible assets	**1,033,138**	1,014,843
Other	**41,750**	43,466
Total non-current assets	**2,304,213**	2,226,813
Total assets	**2,652,738**	2,458,116
Current liabilities		
Payables	**274,816**	167,040
Interest bearing liabilities	**1,013,593**	590,731
Provisions	**1,182**	602
Other	**1,405**	1,023
Total current liabilities	**1,290,996**	759,396
Non-current liabilities		
Interest bearing liabilities	**1,226,044**	1,227,386
Provisions	**692**	580
Total non-current liabilities	**1,226,736**	1,227,966
Total liabilities	**2,517,732**	1,987,362
Net assets	**135,006**	470,754
Equity		
Parent entity interest		
Contributed equity	**1,031,244**	1,031,244
Reserves	**54,887**	54,887
Accumulated losses	**(1,146,465)**	(865,926)
Total parent entity interest	**(60,334)**	220,205
Outside equity interests in controlled entities	**195,340**	250,549
Total equity	**135,006**	470,754

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2004

	Half - year **6 months to 30 June 2004 ($'000)**	6 months to 30 June 2003 ($'000)
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**218,202**	122,063
Payments to suppliers and employees (inclusive of GST)	**(375,038)**	(195,107)
	(156,836)	(73,044)
Dividends received	**-**	13
Interest received	**1,452**	4,361
Borrowing costs	**(64,383)**	(24,630)
Net cash outflow from operating activities	**(219,767)**	(93,299)
Cash flows from investing activities		
Payment for purchases of property, plant and equipment	**(111,596)**	(255,215)
Proceeds from sale of property, plant and equipment	**-**	66
Proceeds from sale of traded investments	**891**	-
Payments for intangible assets	**(88,281)**	(28,845)
Net cash outflow from investing activities	**(198,986)**	(283,994)
Cash flows from financing activities		
Proceeds from interest bearing liabilities	**423,310**	200,000
Repayment of finance lease	**(1,790)**	-
Net cash inflow from financing activities	**421,520**	200,000
Net increase/(decrease) in cash held	**2,767**	(177,293)
Cash at 1 January	**34,282**	296,156
Cash at 30 June	**37,049**	118,863

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1 Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 30 June 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in accordance with the annual report for the year ended 31 December 2003 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Going concern

Hutchison Telecommunications (Australia) Limited and its controlled entities ("the Consolidated Entity") incurred a net loss attributable to members of $280,539,000 during the 6 months ended 30 June 2004 (year ended 31 December 2003: loss of $409,840,000) and had an operating cash outflow of $156,836,000 (year end 2003: outflow of $409,497,000). A deficiency of net current assets exists at 30 June 2004 of $942,471,000 (31 December 2003: $528,093,000).

Current cash flow forecasts estimate further funding is required for the continued development and operating cash requirements of the 3 business for the next 12 months. Under existing agreements between Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Whampoa Limited ("HWL") and Telecom Corporation of New Zealand ("TCNZ"), HWL has committed to ensuring that the company has access to this funding. The refinancing of short term debt arising subsequent to 30 June 2004 will alleviate the short term funding requirements of the business.

Therefore, based on this support, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of Australian equivalents to IFRS will be first reflected in the company's financial statements for the half year ended 30 June 2005 then for the year ending 31 December 2005. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1 (a).

(a) International Financial Reporting Standards (IFRS)

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 January 2004.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS. The project team is chaired by the Chief Financial Officer and reports regularly to the audit committee. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) *Income taxes*

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Intangible assets

(i) Goodwill

Under AASB 138 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise.

(ii) *Capitalised funding costs*

Under AASB 123 *Borrowing Costs*, all borrowing costs are to be expensed as incurred unless the costs are directly attributable to the acquisition, construction or production of a qualifying asset. Where the costs are directly attributable to a qualifying asset, the borrowing costs shall be capitalised as part of the cost of that asset.

This will result in capitalised funding costs being allocated to specific qualifying assets and depreciated over the life of that asset. If the borrowing costs cannot be related to a specific qualifying asset the cost will be expensed.

(iii) *Equity-based compensation*

Under AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received, by reference to the fair value of the equity instrument issued.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(iv) *Financial instruments*

Under AASB 132 *Financial* Instruments: *Recognition and Measurements* and AASB 139 *Financial Instruments*: *Disclosure and Presentation,* we anticipate a change in accounting policy for financial instruments requiring recognition of financial instruments in the statement of financial position and the requirement to record all derivatives and most financial assets at fair market value.

Foreign exchange contracts held for hedging purposes may be accounted for as cash flow hedges. Changes in the fair value of these contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

In addition, liabilities subject to an in-substance defeasance will not qualify for derecognition. Under the transitional provisions of AASB 1, liabilities derecognised under previous Australian generally accepted accounting principles are not allowed to be recognised unless recognition is required as a result of a transaction or event occurring after transition.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

Note 2 Segment Information

Primary reporting – business segments

Half year 30 June 2004	**Orange**	**3**	**Intersegment elimination/ unallocated**	**Consolidated**
	$'000	$'000	$'000	$'000
Total segment revenue	164,953	149,284	(2,987)	311,250
Segment result	(58,316)	(277,432)	-	(335,748)
Half year 30 June 2003				
Total segment revenue	119,663	15,139	-	134,802
Segment result	(50,809)	(98,069)	-	(148,878)

Note 3 Events occurring after reporting date

On 17 August a $1.5 billion five-year bank facility was put in place to refinance the short-term facilities and to provide working capital support for the Company's 3G business. The financial effect has not been recorded at 30 June 2004.

On 4 August 2004 the Company announced the signing of a Heads of Agreement with Telstra Corporation Limited for the sharing of its 3G W-CDMA radio access network. Under the agreement, Telstra and Hutchison 3G Australia (H3GA), a subsidiary of Hutchison, will establish a 50/50 enterprise to jointly own and operate H3GA's existing 3G radio access network and fund future network development. The agreement also allows both parties to share their 3G spectrum. In return for the 50 per cent beneficial interest in the radio access network, Telstra has agreed to pay Hutchison $450 million under a fixed payment schedule starting November 2004. The financial effect of the transaction has not been recorded at 30 June 2004 and cannot be estimated at this time.

Directors declaration

The directors declare that the financial statements and notes set out on pages 10 to 15:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:
(a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
(b) there are reasonable grounds to believe that Hutchison Telecommunications (Australia) Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

FOK Kin-ning, Canning
Director

18 August 2004

Hutchison Telecommunications (Australia) Limited
Supplementary Appendix 4D information

NTA Backing *(Appendix 4D item 3)*

	2004	2003
Net tangible asset backing per ordinary share	(1.32)	($0.31)

Controlled entities acquired or disposed of *(Appendix 4D item 4)*

N/A

Additional dividend/distributions information *(Appendix 4D item 5)*

Details of dividends/distributions declared or paid during or subsequent to the half-year ended 30 June 2004 – N/A

Dividend/distribution reinvestment plans *(Appendix 4D item 6)*

N/A

Associates and Joint Venture entities *(Appendix 4D item 7)*

N/A

Hutchison Telecommunications (Australia) Limited
Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.

(Tick one)

☐	The +accounts have been audited.	✓	The +accounts have been subject to review.
☐	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 The audit review by the auditor is attached.

6 The entity has a formally constituted audit committee.

Sign here: .... (Director) Date: 18 August 2004............................

Print name: FOK Kin-ning, Canning

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Independent review report to the members of Hutchison Telecommunications Australia Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Hutchison Telecommunications Australia Limited, comprising pages 3 to 16 of the half yearly report included in the attached Appendix 4D of the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration attached thereto:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Hutchison Telecommunications Australia Limited Group (defined below) as at 30 June 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Hutchison Telecommunications Australia Limited Group (the consolidated entity), for the half-year ended 30 June 2004. The consolidated entity comprises both Hutchison Telecommunications Australia Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission and the ASX. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

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We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and ASX Listing Rules relating to half yearly financial reports, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers.

PricewaterhouseCoopers

D Whale

David Whale
Partner

Sydney
18 August 2004