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

Companies Announcements Office

Australian Stock Exchange

Date 31 March 2005

Subject: Financial Statements and Annual Report

For the purposes of Listing Rule 4.5, please find attached a copy of the financial statements and directors' report of the Company for the financial year ended 31 December 2004 which are incorporated into the Company's 2004 Annual Report.

The Annual Report will be dispatched to shareholders on or before 15 April 2005.

Yours faithfully

Louise Sexton
Company Secretary

ANNUAL REPORT 2004

HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED

Hutchison's 2004 results are about growth – in customers, revenue and services. In each area we took great strides; doubling revenue and customer numbers and significantly expanding our service offering. However, Hutchison's potential to create value for shareholders is far bigger than our financial results this year. It is about a step change in mobile technology intersecting with new patterns of consumer and business behaviour in a way that will fundamentally change the mobile market, both in Australia and throughout the world. This annual report seeks to explain to investors the enormous 3G opportunity that is about to open in the Australian market and why we believe Hutchison will have a unique advantage to generate value from it.

Our goals, our brands, our offerings

The Australian mobile market has commenced the inevitable move from second generation (2G) to third generation (3G) technology. This step change in mobile technology represents a substantial growth opportunity for operators and is one that will shape the industry for years to come. As a greenfield leader in 3G, unconstrained by a large legacy customer base, Hutchison is uniquely positioned in Australia to capitalise on the opportunities presented by this turning point in the technology cycle. Our aim is to capture the growth opportunities at both ends of the Australian mobile market with complementary service offerings: leading the delivery of innovative multimedia services as a greenfield 3G operator; and growing our share in the 2G market as the provider of choice for value-based voice and basic messaging services.

3 is our flagship brand for 3G mobile communication. Since its launch in 2003, **3** has championed many 'firsts' in Australian telecommunications including the introduction of revolutionary capped voice pricing and services such as person to person video calling, 24/7 music streaming, real-time multiplayer games and the market's most sophisticated range of content services.

Orange Mobile is a low cost operator providing simple, value-for-money rate plans, focusing on growth opportunities in the pre-paid market. Other Orange products include Orange Paging and Orange Information Services.

A message from your Chairman

In 2004, Hutchison led the market in growth, doubling revenue and delivering a record year of customer additions.

Dear Investors,

The opportunity enjoyed by a greenfield player in a mature mobile market like Australia is fundamentally different from that available to incumbents.

While for an incumbent operator the migration to 3G mobile technology may well be at the expense of its existing margins and large scale customer base – for a greenfield operator every new customer represents incremental business. Importantly, a greenfield player has the unique opportunity to establish a superior cost structure and bears no costs in respect of redundant legacy assets.

Maximizing this opportunity has been the cornerstone of our group's strategy as a first mover in 3G markets around the world. We believe it is beginning to bear fruit in Australia.

In 2004, Hutchison was the fastest growing mobile company in Australia. We demonstrated the significant advantages of our 3G greenfield position, with stand-out customer growth and clear industry leadership in product offering. The **3** brand is now synonymous with 3G mobile technology in Australia, well before any local competitor has launched a competitive 3G offering.

In the 2G market, Orange Mobile, with its simple, value based offering, enjoyed another year of solid growth and positive operating cash flows, delivering a 45% improvement in EBITDA. Orange Mobile will continue to complement 3's offering as a voice-centric consumer proposition, primarily targeting the pre-paid market.

This solid foundation across both brands allowed us to double our revenue and deliver a record year of customer growth for Hutchison – a growth profile unmatched in the mobile market today.

Our unique position has required significant investment – much of which has already been put in place. EBITDA loss increased by 5% this year, but we expect losses to trend downwards in 2005 as revenue contribution from our growing customer base increasingly offsets operating and acquisition costs. We remain on track to achieve our goal of exiting 2005 with sustainable monthly positive EBITDA.

Improved financial performance is also expected in net losses. This year, net losses of $552 million are significant but are consistent with our previous guidance and are expected to represent a peak in annual net losses.

Ongoing investment in 2005 will be largely to support customer acquisition and network expansion, and with undrawn long-term facilities of $500 million we have more than sufficient funds to meet these requirements for the next 12 months.

As we build scale, we continue to enjoy the full commitment of our parent company in funding, operational know-how and access to global purchasing power. Hutchison Whampoa has a clear view on the prospects of Hutchison in Australia and its ongoing support provides us with a unique and competitive advantage.

Another strategic asset and one of the most significant events in 2004 was our decision to share our 3G network with Telstra Corporation Limited. The sales proceeds of $447 million for a 50% share in our 3G radio access network cover half of our initial investment cost and represent a strong endorsement of the quality 3G network we have built.

Importantly, the agreement ensures we will always have access to Australia's largest and best quality 3G network – a strategic advantage we plan to leverage as other operators are challenged by building an equivalent level of network quality. We will also benefit from significantly reduced network operating and expansion costs compared to a stand-alone operation.

As 2005 brings accelerating change in the Australian mobile market, I believe we are well placed to reap the benefits.

In the 2G market, pre-paid sales will remain the majority of the growth and we will strongly target that growth with our Orange pre-paid offer.

In 3G, while competitors attempt to balance the inevitable migration of their large-scale customer bases from 2G to 3G, we will look to capture market share with an established network and brand, together with differentiated services that offer incremental revenue opportunities. In addition, as mobile usage starts to cannibalise the traditional fixed line market, we will continue to stimulate this substitution by utilising the efficiencies inherent in 3G technology to deliver consumers competitively priced voice services.

In 2005, I believe Hutchison will be the most dynamic force in the Australian market.

Fok Kin-ning, Canning
Chairman

Key financial results

In 2004, Hutchison delivered a record year of revenue growth and substantially improved the size and quality of our customer base in both **3** and Orange.

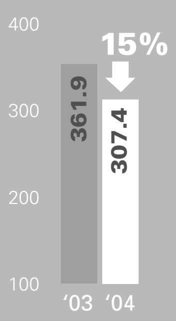
($ million)	2004	2003
Operating Revenue		
3 – voice services	215.2	28.5
3 – non-voice services	34.1	4.5
Orange	273.8	207.9
Services Revenue	523.1	240.9
Equipment Revenue	244.8	99.2
	767.9	**340.1**
EBITDA		
3	–283.3	–256.3
Orange	47.8	32.9
	–235.5	**–223.4**
NPAT		
	–552.0	**–409.8**

Operating Revenue: Revenue growth was mostly driven by strong customer growth and increased service revenue contribution per customer.

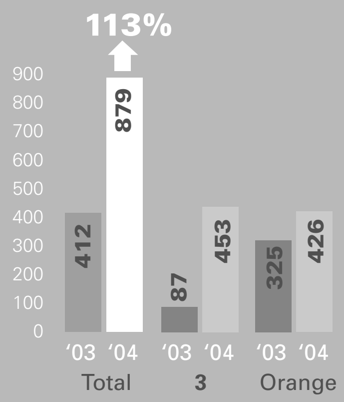
EBITDA: Increase in EBITDA loss reflects the first full year of operation in the **3** business and growth costs associated with the rapid expansion of the customer base.

NPAT: Net loss for the year was primarily driven by increased depreciation and amortisation charges in **3** compared to a part-year of operation in 2003, and increased acquisition and borrowing costs funding the drive for customer growth.

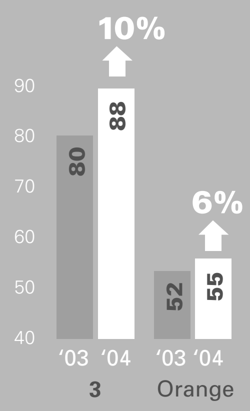
Capital Expenditure
($ million)



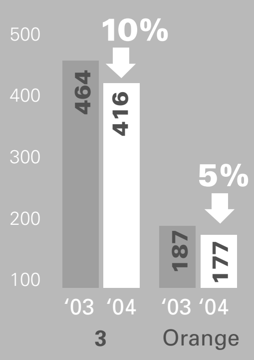
Mobile customers
('000)



Average revenue
per customer ($)



Acquisition cost
per customer ($)



A quantum shift in the mobile market

For the past decade, mobile service delivery around the world has essentially been static. In 2004, our rapid customer growth and the appetite shown for our 3G product offering were early indicators of what we believe represents the most significant shift in the mobile market this decade: the move from 2G to 3G mobile technology. It is our fundamental belief that the mobile market in Australia will make that transition and, driven by a range of attractively packaged and promoted services, it will do so far more rapidly than many people expect. The rationale for this is simple and compelling. 3G infrastructure offers operators (and consumers) two major advantages: first, it is more efficient across both voice and data, enabling operators to substantially lower the cost of delivering services to customers; and second, it allows operators to offer consumers and businesses an advanced range of non-voice services that 2G mobile infrastructure cannot efficiently support. Thus, 3G operators will have significant opportunities to cost effectively grow both voice and non-voice revenue and we believe that those opportunities in Australia will be substantial.

Kevin Russell
Chief Executive Officer

The voice opportunity

Leveraging the inherent efficiencies of 3G

The opportunity to generate value from increased voice usage is a fundamental part of any 3G greenfield operator's strategy. In Australia, where the mobile market has been historically characterised by relatively high voice pricing, this opportunity is considerable.

Our drive for increased mobile voice usage is also supported by our expectation that mobile interconnect tariffs in Australia would reduce over time. The reduction, announced by the Australian Competition and Consumer Commission this year, will see interconnect rates decline 43%, dramatically reducing the cost of delivering calls to other mobile networks.

As we look at recent trends in overseas mobile markets, a decline in mobile voice pricing has consistently created an inflection point where mobile usage has climbed dramatically – partly at the expense of fixed-line use and partly due to an increase in mobile usage fuelled by lower call rates.

In 2004, we started to see this trend coming through in Australia. Our highly successful capped plans drove strong voice usage across our **3** customer base, with an average 281 outgoing minutes of use per customer per month compared to an estimated industry average of 90 minutes.

Increased usage delivered a strong contribution to revenue. **3**'s average revenue per user (ARPU), a key indicator of customer quality in the mobile market, remained the highest in the market at $88 compared to an estimated industry average of $52.

Despite the high usage profile, network and scale efficiencies allowed us to record ongoing improvements in both yield per voice minute and average gross margin per customer, a trend we believe will continue in 2005.

Prepaid leading 2G market growth

In the medium-term, we continue to expect there to be some growth opportunities for value voice services in the 2G market, particularly in the pre-paid segment. Having already established a compelling, simple, value-for-money voice offering for the post-paid market, Orange has recently introduced a highly attractive pre-paid offer to target this previously untapped growth opportunity.

In 2004, Orange delivered a strong year of customer and revenue growth. Leveraging an expanded network capacity implemented during the year, the business recorded increased voice usage and a 6% increase in average revenue per user to $55 compared with $52 in 2003.

As a solid revenue generator, Orange adds strategic value to the business by strengthening cash flow, scale and operating margins. In 2004, the business reported a positive EBITDA of $47.8 million, an improvement of 45% over last year's performance and an improved second half performance of $34.7 million compared to $13.1 million in the first half of 2004.

The Orange business is operationally mature and requires minimal capital investment. Over time, Orange will be exposed to the expected migration of post-paid customers to 3G, consistent with all 2G operators. In the short term, we expect this exposure will be offset by market share gains from pre-paid.

Australia is about to reach an inflection point where mobile voice usage climbs dramatically

The non-voice opportunity

The opportunity for mobile operators in deployment of 3G networks is to grow overall voice revenue and generate incremental growth from non-voice services.

Our experience in the last year bears out the theory that the pricing, packaging and promotion of non-voice services is the key to unlocking consumer appetite.

During the year, we enhanced the way we delivered our services, expanding the breadth and depth of our content offering and introducing subscription-based pricing initiatives. By December 2004, over 50% of **3** customers were using non-voice services (excluding the more widespread use of SMS), and since their introduction in September, we have sold over 200,000 monthly content subscriptions.

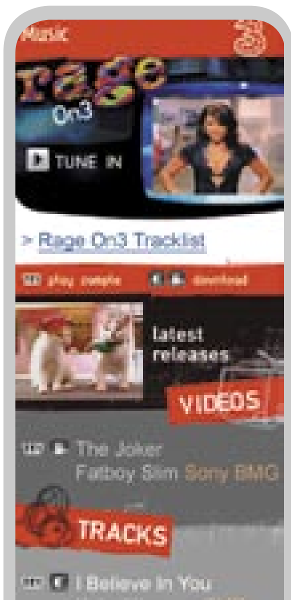
The strong customer up-take has resulted in a significantly higher non-voice revenue profile than that of 2G operators. Compared with an estimated $7 industry average non-voice ARPU, **3** delivered a stand-out non-voice ARPU result of $11 per customer in 2004, climbing to $15 for the month of December.

We expect this growth trend to continue in 2005 as the use of non-voice services becomes more prevalent across the customer base.

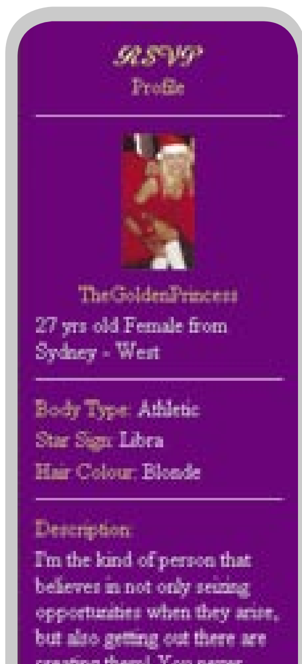
Mobile broadband:
3's NetConnect Card made mobile broadband a reality in Australia, giving customers access to high speed email, computer networks and the 'net.

Mobile video conferencing:
the first mobile service in Australia that lets customers see and hear the person they are talking to both in Australia and other 3G networks overseas.

Music on the move:
an Australian first, Music On **3** allows customers to download and listen to high quality, full-length songs, watch full length music videos and have access to Rage 24/7 mobile music video channel direct to their mobile.



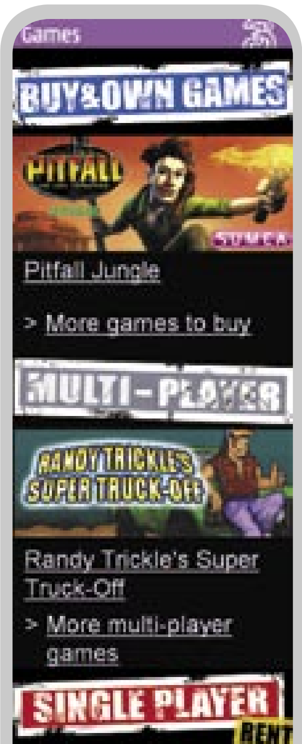
On the spot dating:
RSVP On **3** combines Australia's largest online dating service with the speed and convenience of **3** to deliver a true mobile dating experience.



Unlocking the potential of non-voice services

With more than 80% of Australia's population reliant on mobile phones as personal accessories, 3G operators will be able to readily introduce new services through this familiar and convenient medium. This was demonstrated in 2004, with strong customer appetite for **3**'s rapidly expanding range of non-voice communication, information and entertainment services.

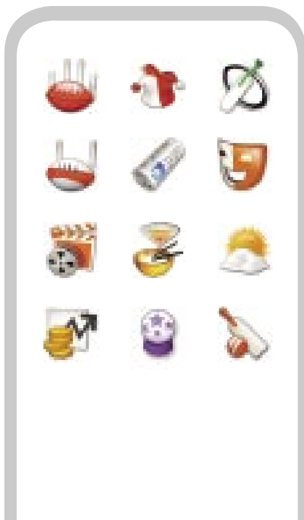
Multiplayer games:
3 features Australia's first multiplayer mobile games allowing customers to play against real opponents in real time.



News at your fingertips:
3 customers can access regularly updated news stories and video bulletins, keeping informed throughout the day.

Sport is king:
access to the latest scores, video highlights, team news and much more from a range of sports including cricket, AFL, NRL, Rugby Union, soccer, motorsport, action sports, tennis, golf, basketball and horse racing.

Subscribing to the essentials:
content packs allow customers to access their favourite content through a monthly subscription.



Driven by an uncompromised focus on 3G

The greenfield advantage

The business opportunities available to a greenfield player deploying 3G are fundamentally different from those of an incumbent. This belief is core to understanding the opportunity Hutchison has in the Australian market.

Unburdened by the 2G legacy

Managing the migration of customers from 2G to 3G is a significant challenge for incumbent operators with a substantial customer base. In this environment, the greenfield operator carries the least risk and the greatest opportunity for growth.

3G requires substantial investment in new infrastructure, systems and platforms. For an incumbent operator it also requires the careful migration of its large-scale customer base from one technology to another, a process which will require significant transition cost and has the potential to stimulate customers to review competing service offerings in the market place. The incumbent's growth opportunity in 3G is largely driven by incremental contribution from non-voice services.

By contrast, for greenfield players, growth is not just at the margin: acquisition of new customers is the core driver in revenue growth. Incremental revenue from increased voice usage and new services is the opportunity to further build revenue and enhance margins.

At Hutchison, we believe that our uncompromised focus on aggressively building a 3G customer base is a significant competitive advantage against incumbent 2G operators.

Empowered by a different cost structure

One of the fundamental greenfield advantages for Hutchison was the flexibility to create our cost structure from scratch.

In anticipation of the higher cost of servicing a 3G customer (a result of a more sophisticated product offering), we have set up a quality but lower cost call centre in India for our customers. We have also followed a strategy of cooperation around infrastructure and systems, agreeing a network sharing arrangement with Telstra and outsourcing a substantial part of our network and IT operations to Ericsson.

As we have been deploying our 3G network in Australia over the last three years, the majority of our capital expenditure has already been invested. This year, capital expenditure declined by 15% and is expected to remain at reduced levels. Future requirements will be in step with network and customer expansion plans, including our rollout in Canberra in 2005.

Creating the best quality 3G network in Australia

The quality of the **3** network had the Australian mobile industry's strongest possible endorsement in 2004, when Telstra signed an agreement with Hutchison to buy a 50% share of our 3G radio access network for a cash consideration of $447 million.

The network sharing partnership delivers significant strategic benefits for **3** in terms of balance sheet impact, capital and operating costs, network quality and ongoing leadership in 3G.

It helps us enhance our already substantial footprint and improve network quality by giving us access to additional spectrum and Telstra's extensive cell site infrastructure. Our network footprint, which currently includes the five mainland state capital cities, will be extended to include Canberra by end of 2005, giving **3** an estimated two year lead on the 3G network rollout plans announced by other competitors.

As part of the agreement, both parties share operating and future network expansion costs, allowing us to maintain the highest quality network for a significantly lower capital investment and ongoing cost than would be available for a stand-alone operator.

We also benefit from being part of Hutchison Whampoa's global 3G operation through which many IT systems are developed internally with the build, support and licence costs negotiated with the benefit of significant scale.

In 2004, the Hutchison Whampoa group was the world's largest global buyer of 3G handsets. This purchasing power has delivered us significant savings on handset prices and will continue to provide ongoing cost benefits as the group leverages its rapidly expanding customer base.

With handset quality, range and price a critical element of customers' purchasing consideration, the group's ability to influence handset manufacturers' roadmaps is a significant advantage to us. We expect handset costs to fall further in 2005, boosting customer acquisition opportunities and lowering acquisition costs.

Together with building scale, retaining a competitive cost structure will remain a priority for us as we endeavour to achieve our profitability milestones and generate shareholder return in an increasingly competitive environment.

The first mover advantage

As a first mover in the 3G market, **3** has the advantage of setting the benchmarks and cementing a brand and service proposition synonymous with mobile innovation.

In less than two years since launching **3**, we have established sound technical and service execution, to the point where our network performance is now on par with mature 2G networks. We have stimulated consumer appetite for 3G services and created a brand and retail presence unlike any other mobile operator in the market today.

Our invaluable insight into what customers want in 3G and how to best package, price and promote multi-media services is experience that will stand us in good stead when other mobile operators introduce their 3G offerings into the market in 2005.

With multiple operators promoting 3G services, we believe customers will look beyond the inertia of their existing carrier and choose the best offer in the market. In Australia, that will be **3**: our offering will be the most competitive in terms of brand recognition, price, packaging and product range.

The global advantage

Being part of Hutchison Whampoa's global mobile operation has considerable advantages in access to favourable funding, economies of scale and valuable sharing of operational know-how.

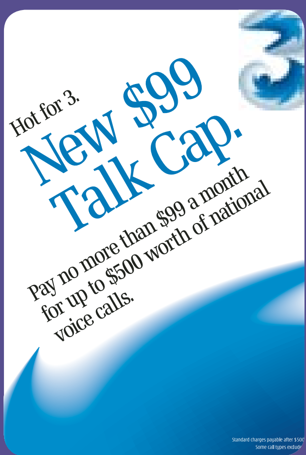
With eight markets in operation, we gain enormous advantage from access to operational and strategic learnings of our sister companies. Financial advantages are also considerable with sharing of costs across core infrastructure, customer care operations and marketing initiatives.

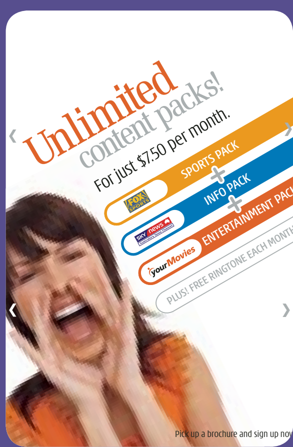
Locally, we continue to enjoy the ongoing financial support of Hutchison Whampoa as our major shareholder. The 3G business is now fully funded to its expected peak funding requirements of $3 billion, with all financing facilities procured with the full support of Hutchison Whampoa.

Owning Innovation

By the end of 2004, **3** had more than twice the recognition of our nearest competitors in terms of:

- Leading the way in new ideas
- Being different from other mobile providers
- Setting standards for the future
- Leading 3G





Reaping the benefits of global scale: 10 markets, 7 million customers worldwide and growing rapidly

Senior Management Team

Kevin Russell
Chief Executive Officer

Kevin's strategic capability, financial acumen and experience in mobile start-ups in a number of overseas markets is a major asset for the company. He has substantial international telecommunications experience, having held financial and operational leadership positions with Hutchison Whampoa globally.

Greg Bourke
Director Human Resources

Greg drives Hutchison's high-performance culture, building on his substantial Human Resources experience including 14 years at Digital Equipment Corporation.

Nigel Dews
Director Sales, Marketing and Product

Nigel manages consumer and business marketing, sales and distribution for **3**. His responsibilities also include product and content delivery as well as procurement and supply of communication devices. Prior to joining Hutchison, Nigel led classified advertising and the building of the f2 network for Fairfax, after holding positions at McKinsey & Company and the Reserve Bank.

David Dyson
Chief Financial Officer

David manages the company's financial and treasury functions and has accountability for large-scale project management. David has worked in a number of senior finance positions for Hutchison Whampoa, most recently at Hutchison's **3** branded businesses in Scandinavia.




Left to right: Kevin Russell; Greg Bourke; Nigel Dews; David Dyson; Louise Sexton; Phil Wise; Steve Wright; Michael Young.

Louise Sexton
General Counsel and Company Secretary

Louise is responsible for legal, regulatory and company secretarial functions at Hutchison. She has extensive experience in listed public companies across a number of high technology industries in Australia and has also worked in the Federal Attorney-General's Department and one of Australia's largest law firms.

Phil Wise
Director Orange Mobile, Paging and Information Services

Phil manages the full suite of Orange services including mobile, paging and information services. He has held several senior roles in sales and marketing, most recently as Director of Sales for Telstra Mobile.

Steve Wright
Director Stakeholder Relations

Steve's role is to promote Hutchison's reputation in its operating environment by managing relationships and communication with key external stakeholders. He has extensive experience in corporate and public affairs in telecommunications and professional services.

Michael Young
Director Technology and Customer Services

Michael is responsible for network and IT functions across the company as well as customer care and product delivery. He draws on experience in a broad cross-section of industries, having worked for companies such as KPMG, Nortel, Campbell Soup and Arnott's Biscuits.

Corporate governance

Hutchison Telecommunications (Australia) Limited ("HTAL" or "the Company") and its Directors are committed to high standards of corporate governance. Set out below is a description of the Company's main corporate governance practices which have been in place for the full year unless otherwise stated.

Board of Directors and its Committees

The Board has responsibility for approving the strategy and monitoring the implementation of the strategy and the performance of HTAL and its subsidiaries (the group of companies is referred to as "Hutchison" in this report), protecting the rights and interests of shareholders and is responsible for overall corporate governance. The Board has adopted a list of matters reserved to the Board which is available on the Company's website. The Chief Executive Officer and senior management team are responsible for day to day management of Hutchison and implementing the strategies adopted by the Board.

The Board's responsibilities include:

- Approving and monitoring the strategic planning process of Hutchison and reviewing and approving the long term goals to ensure that these strategic objectives are met.
- Monitoring the performance of management against these goals and objectives.
- Ensuring that there are adequate internal controls and ethical standards of behaviour adopted and met within Hutchison.
- Ensuring the integrity of Hutchison's financial reporting.
- Ensuring that the business risks facing Hutchison are identified and that appropriate monitoring and reporting controls are in place to manage these risks.
- Appointing the Chief Executive Officer, evaluating performance and determining the remuneration of senior executives and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning.
- Delegating to the CEO the authority to manage and supervise the business of Hutchison including the making of all decisions regarding Hutchison's operations that are not specifically reserved to the Board.

Composition of the Board

The Board comprises seven Directors whose appointment reflects the shareholdings of the Company and the need to ensure that the Company is run in the best interest of all shareholders. Other than Mr Roberts-Thomson, all the Directors, including the Chairman, Mr Fok, are non-executives.

The Board has adopted the definition of independence contained in the ASX Best Practice Recommendations. In light of this definition, the Board considers that independent Directors are not substantial shareholders or officers of substantial shareholders, have not been employed as an executive of Hutchison or its majority shareholder nor are they associated with any significant supplier, customer or professional adviser of Hutchison. Further, an independent Director does not have any significant contractual relationship with Hutchison nor is there any business relationship which could materially interfere with a Director's ability to act in the best interest of the Company. Mr Gardener, being the only Director not an officer of a substantial shareholder, is considered by the Board to be an independent Director. In light of the majority ownership by Hutchison Whampoa Limited (HWL), the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of Directors or the Chairman be independent.

Subject to the Corporations Act requirements in relation to the retirement of Directors, the current Directors have not been appointed for a specified term. Details of the Directors' experience is set out on pages 22 and 23.

In connection with their duties and responsibilities, Directors and Board committees have the right to seek independent professional advice at the Company's expense. Prior written notification to the Chairman is required.

No formal procedure for performance evaluation of the Board and its members has been implemented as the Board considers that regular ongoing informal assessment is more appropriate for a board comprising seven Directors. Accordingly, consideration of the performance of the Board forms part of the regular Board process when the Board conducts deliberations without representatives of management present at each Board meeting.

Committees

The Board has two committees to assist in the implementation of its corporate governance practices and fiduciary and financial reporting and audit responsibilities. These are an Audit Committee and a Governance, Nomination and Compensation Committee.

Each of these committees has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Details of these charters are available on the Company's website.

Audit Committee

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through review and supervision of Hutchison's financial reporting process and internal control system.

All members of the committee are non-executive Directors and the composition of the committee meets the requirements of the transitional arrangements under the ASX Listing Rules. This will be reviewed prior to 30 June 2005. The Audit Committee has appropriate financial expertise and knowledge of the telecommunications industry. Details of the committee members' qualifications, expertise, experience and attendance at Audit Committee meetings are set out on pages 22 and 23.

The Audit Committee considers the annual and interim financial statements of the Company and its subsidiaries and any other major financial statements prior to approval by the Board, and reviews standards of internal control and financial reporting within Hutchison. The Audit Committee is also responsible for overview of the relationship between Hutchison and its external auditors, including periodic review of performance and the terms of appointment of the auditors.

This committee considers any matters relating to the financial affairs of Hutchison and its subsidiaries and any other matter referred to it by the Board. The main responsibilities delegated to the committee are to:

- Consider and recommend to the Board the appointment and remuneration of the Company's external auditors and to determine with the external auditors the nature and scope of the audit or review and approve audit or review plans.
- Evaluate the performance of the external auditors, including assessment of the auditor's independence taking into account factors which may impair the auditor's judgement in audit matters related to Hutchison.
- Review the interim and annual accounts of the Company before their submission to the Board.
- Ensure Hutchison's practices and procedures with respect to related party transactions are adequate for compliance with the relevant legal and stock exchange requirements.
- Review the risk management practices and oversee the implementation and effectiveness of the risk management system.
- Review the internal audit programmes, the adequacy of resources of the internal audit function and the appointment and replacement of the senior internal audit officer.
- Review with management and the external auditors the presentation and impact of significant risks and uncertainties associated with the business of Hutchison and their effects on the financial statements of Hutchison.
- Ensure corporate compliance with applicable legislation.

External auditors

The performance of the external auditors is reviewed annually and applications for tender of external audit services will be requested as deemed appropriate. PricewaterhouseCoopers were appointed as the external auditors in 1998. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies every five years, and in accordance with that policy the current audit engagement partner was introduced for the year ended 31 December 2002.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 26 to the financial statements.

The Company's policy in relation to awarding non audit work to the external auditors requires that all proposed non-audit service assignments in excess of $100,000 will be approved by the Audit Committee and will only be awarded to the external auditors after completion of a competitive tendering process which demonstrates that the external auditors are the preferred service provider on the basis of an objective assessment of price, capabilities and commitment. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditors are available for questioning at the Annual General Meeting.

Governance, Nomination and Compensation Committee

The committee comprises non-executive Directors and is chaired by the Chairman of the Board. Details of the committee members' qualifications, expertise, experience and attendance at Compensation Committee meetings are set out on pages 22 and 23.

Compensation responsibilities

This committee is responsible for the review of remuneration and other benefits, and Hutchison's policies in relation to recruitment and retention of staff, details of which are set out in the Directors' Report on page 25 and in note 25 to the financial statements. This committee also reviews and makes recommendations to the Board on remuneration policies and other terms of employment applicable to the Chief Executive Officer, senior executives and the Directors themselves. The committee will, where relevant, obtain independent advice from external consultants on the appropriateness of the remuneration policies of Hutchison.

Corporate governance

Each member of the senior executive team signs a formal employment contract, incorporating a formal job description, at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Executive remuneration, including executive Directors, is reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth and relevant comparative information. Executives are also eligible to participate in the employee share schemes. Information relating to these schemes is set out in note 25 to the financial statements. The executives' equity based remuneration and the applicable Company performance thresholds are set by the committee under a scheme approved before the Company was listed. Details of the compensation philosophy and practice of the Company are set out in the Directors' Report.

The remuneration of Directors who are not executives of either the Company or other companies within the Hutchison Whampoa Group comprises only a fixed component and is not performance based. Directors who are executives of either the Company or other companies within the Hutchison Whampoa Group do not receive remuneration for their services as Directors.

Governance and Nomination Responsibilities – Related to Board Performance and Evaluation

- To periodically assess and provide recommendations to the Chairman of the Board on the effectiveness of the Board of Directors as a whole, the committees of the Board, the contribution of individual Directors, and assessment of Directors;
- To review the Company's investor relations and public relations activities to ensure that procedures are in place for the effective monitoring of the shareholder base, receipt of shareholder feedback and response to shareholder concerns;
- To oversee the maintenance of an induction and education program for new Directors;
- To ensure appropriate structures and procedures are in place so that the Board can function independently of management;
- To review the mandates of the Board of Directors' committees and recommend appropriate changes to the Board;
- To receive and consider any concerns of individual Directors relating to governance matters; and
- To review all related party transactions to ensure they reflect market practice and are in the best interests of Hutchison.

Related to the Board of Directors

- To recommend to the Board criteria regarding personal qualifications for Board membership, such as background, experience, technical skills, affiliations and personal characteristics.

Related to Committees of the Board of Directors

- To review from time to time and recommend to the Board, the types, terms of reference and composition of Board committees, the nominees as chair of the Board committees including periodic rotation of committee assignments and memberships; and
- To review from time to time and make recommendations to the Board, with respect to length of service of members on committees, meeting procedures, quorum and notice requirements, records and minutes, resignations and vacancies on committees.

Business Risk

The Board acknowledges its responsibility for risk oversight and ensuring that significant business risks are appropriately managed, whilst acknowledging that such risks may not be wholly eliminated. Company management is ultimately responsible and accountable for managing risk across the business, supported by the risk management function, which provides independent reports to the Audit Committee. The risk management function ensures that adequate mechanisms are in place to identify, assess and manage strategic, financial, operational and regulatory risks and that corporate performance is reviewed across a broad range of issues. The Audit Committee has been delegated responsibility as the primary body for risk oversight and for ensuring that appropriate risk management policies, systems and resources are in place. Details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Ethical Standards

As the Company grows, the need to ensure that a strong ethical culture within Hutchison has lead to greater emphasis on compliance with policies to ensure that all Directors, managers and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their Hutchison working life. A corporate code of conduct, based upon the existing corporate values, has been introduced to assist in maintaining this culture. This code applies to all Directors and employees and compliance with the code forms part of the performance appraisal of senior employees and sales managers. Details of this code are available on the Company's website.

Directors' and Senior Executives' Dealings in HTAL Shares

The Company requires that:

- Directors discuss any proposed trade in HTAL shares with the Chairman prior to any trade.
- Senior executives discuss any proposed trade in shares with the Company Secretary or the Chief Executive Officer prior to any trade.

Unless there are unusual circumstances, trades in HTAL shares by Directors and senior executives are limited to the period of one month after the release of the Company's half year and annual results to the Australian Stock Exchange and from the lodgement of the Company's annual report with the Australian Stock Exchange up to one month after the Annual General Meeting of HTAL.

Directors and senior executives are prohibited from trading in HTAL shares if the Director or officer is in possession of price sensitive information or would be trading for a short term gain. All managers within Hutchison have also been advised of their obligations in regard to price sensitive information.

Directors and senior executives are also aware of their obligations to ensure that they do not communicate price sensitive information to any other person who is likely to buy or sell HTAL shares or communicate that information to another party.

The Company's existing practices are documented in a code, details of which is available on the Company's website.

Continuous Disclosure and Shareholder Communication

The Board strongly believes that the Company's shareholders should be fully informed of all material matters that affect Hutchison in accordance with its continuous disclosure obligations. Financial reports and other significant information are available on the Company's website for access by its shareholders and the broader community. Procedures are in place to review whether any price sensitive information has been inadvertently disclosed in any forum, and if so, this information is immediately released to the market.

The Company Secretary resident in Australia has been appointed as the person responsible for communications with the Australian Stock Exchange.

The Company seeks to enhance its communication with shareholders through the introduction of new types of communication through cost effective electronic means, and the provision of significant information in addition to the reports required by legislation.

The Company's existing practices on information disclosure are documented in a policy, details of which are available on the Company's website.

Related Party Transactions

Hutchison draws great strength from its relationship with HWL and other companies in the HWL Group in relation to both its financial support, management expertise, joint procurement programs and shared research and development costs. The Company also has a strategic alliance with Telecom Corporation of New Zealand Limited and HWL for its 3G business in Australia. In 2004, the Company's subsidiary, Hutchison 3G Australia Pty Limited, entered into a 50:50 partnership with Telstra Corporation Limited for the joint ownership, operation and development of the 3G radio access network.

The Board is aware of the need to represent all shareholders and to avoid conflicts of interest. Where there is a conflict of interest or the potential appearance of a conflict, affected Directors do not participate in the decision making process or vote on such matters. All commercial agreements with related parties are negotiated on arms' length terms. Further information about the Company's related party transactions is set out in note 29 to the financial statements.

Board of Directors

Fok Kin-ning, Canning BA, DFM, ACA (Aus)
Chairman

Fok Kin-ning, Canning, aged 53, is Group Managing Director of Hutchison Whampoa Limited ("HWL"), Chairman of Hutchison Telecommunications International Limited ("HTIL"), Hutchison Global Communications Holdings Limited ("HGCH", formerly known as Vanda Systems & Communications Holdings Limited), Hutchison Harbour Ring Limited ("HHR") and Partner Communications Company Ltd. ("Partner"), Co-Chairman of Husky Energy Inc. ("Husky"), Deputy Chairman of Hongkong Electric Holdings Limited ("Hongkong Electric") and Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure"), and Director of Cheung Kong (Holdings) Limited ("Cheung Kong"). Mr Fok was appointed as a Director on 8 February 1999.

Other responsibilities: Non-executive Chairman, Chairman of Governance, Nomination and Compensation Committee.
Ordinary shares held: 1,100,000
(Direct holding of 100,000 shares only)
Convertible notes held: 1,474,001
(Direct holding of 134,000 Convertible Notes only)
Options held: nil

No. Board meetings attended: 12 of 12
No. Audit Committee meetings attended: n/a
No. Governance, Nomination and Compensation Committee meetings attended: 5 of 5

Mr Fok holds a relevant interest in 4,310,875 shares in HWL, a related body corporate of HTAL; 5,000,000 shares in HHR, a related body corporate of HTAL; a relevant interest in a nominal amount of Eur10,900,000 of 5.875% Notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited, a related body corporate of HTAL; a relevant interest in a nominal amount of US$6,500,000 of 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited, a related body corporate of HTAL; 10,000,000 ordinary shares of HGCH, a related body corporate of HTAL and 250,000 ordinary shares of HTIL, a related body corporate of HTAL.

Remuneration: Director's fee: nil; superannuation: nil.

Barry Roberts-Thomson
Deputy Chairman

Barry Roberts-Thomson, aged 55, was the Managing Director of Hutchison from its inception in 1989 until September 2001. In his capacity as Deputy Chairman & Executive Director, Mr Roberts-Thomson represents Hutchison in government relations and is responsible for the national network deployment as well as the paging operations business. Mr Roberts-Thomson was appointed as a Director on 14 February 1989.

Other responsibilities: Deputy Chairman
Ordinary shares held: 84,961,247
(Direct holding of 2,500 shares only)
Convertible notes held: nil
Options held: nil

No. Board meetings attended: 12 of 12
No. Audit Committee meetings attended: n/a
No. Governance, Nomination and Compensation Committee meetings attended: n/a

Mr Roberts-Thomson holds a relevant interest in 100,000 shares registered in the name of Hutchison Telecoms Staff Superannuation Pty Ltd.

Remuneration: Base salary: $400,000; bonus: nil; non-monetary benefits: $73,924; superannuation: $11,293.

Justin H.Gardener BEc, FCA
Director

Justin H. Gardener, aged 68, is a Director of a number of private and publicly listed companies. From 1961, and until his retirement in 1998, Mr. Gardener held a variety of positions with Arthur Andersen, becoming a partner in 1972 and for the last ten years in a management and supervisory role for Asia Pacific. Mr Gardener was appointed as a Director on 2 July 1999.

Other responsibilities: Member of Governance, Nomination and Compensation Committee and member of Audit Committee.
Ordinary shares held: 102,858
Convertible notes held: 57,430
Options held: nil

No. Board meetings attended: 12 of 12
No. Audit Committee meetings attended: 6 of 6
No. Governance, Nomination and Compensation Committee meetings attended: 5 of 5

Remuneration: Director's fee: $50,000; superannuation: $4,500.

Left to right: Fok Kin-ning, Canning; Barry Roberts-Thomson; Justin H. Gardener; Holger Kluge; Lai Kai Ming, Dominic; Dennis Pok Man Lui; Frank John Sixt.

Holger Kluge BComm, MBA
Director

Holger Kluge, aged 62, is a Director of HWL, Hongkong Electric, Husky, and TOM Group Limited ("TOM", formerly known as TOM.COM Limited). From 1990 until his retirement in 1999, Mr Kluge served as President, Personal and Commercial Bank, CIBC, one of the largest financial institutions in North America. Mr Kluge was appointed as a Director on 2 July 1999.

Other responsibilities: Member of Audit Committee and member of Governance, Nomination and Compensation Committee.
Ordinary shares held: 200,000
Convertible notes held: nil
Options held: nil

No. Board meetings attended: 12 of 12
No. Audit Committee meetings attended: 6 of 6
No. Governance, Nomination and Compensation Committee meetings attended: 5 of 5

Mr Kluge holds a relevant interest in 40,000 shares in HWL, a related body corporate of HTAL.

Remuneration: Director's fee: $50,000; superannuation: $4,500.

Lai Kai Ming, Dominic BSc, MBA
Director

Lai Kai Ming, Dominic, aged 51, is an Executive Director of HWL. He is also the Deputy Chairman of HGCH and HHR and a Director of priceline.com Incorporated. He has over 21 years of management experience in different industries. Mr Lai was appointed as a Director on 19 May 2004.

Other responsibilities: nil
Ordinary shares held: nil
Convertible notes held: nil
Options held: nil

No. Board meetings attended: 7 of 7
No. Audit Committee meetings attended: n/a
No. Governance, Nomination and Compensation Committee meetings attended: n/a

Mr Lai holds a relevant interest in 50,000 shares in HWL, a related body corporate of HTAL.

Remuneration: Director's fee: nil; superannuation: nil.

Dennis Pok Man Lui BSc
Director

Dennis Pok Man Lui, aged 53, is Executive Director and Chief Executive Officer of HTIL. He is also an Executive Director of HGCH and a Director of Partner. Mr Lui was appointed as a Director on 4 May 2001.

Other responsibilities: Member of Governance, Nomination and Compensation Committee.
Ordinary shares held: nil
Convertible notes held: nil
Options held: nil

No. Board meetings attended: 10 of 12
No. Audit Committee meetings attended: 2 of 2
Mr Lui ceased to be a member of the Audit Committee on 24 March 2004.
No. Governance, Nomination and Compensation Committee meetings attended: 4 of 5

Mr Lui holds a relevant interest in 100,000 ordinary shares of HTIL, a related body corporate of HTAL.

Remuneration: Director's fee: nil; superannuation: nil.

Frank John Sixt MA, LLL
Director

Frank John Sixt, aged 53, is Group Finance Director of HWL, Chairman of TOM and TOM Online Inc., Executive Director of Cheung Kong Infrastructure, Hongkong Electric and HGCH and Director of Cheung Kong, HTIL, Husky and Partner. Mr Sixt was appointed as a Director on 12 January 1998.

Other responsibilities: Chairman of Audit Committee
Ordinary shares held: nil
Convertible notes held: nil
Options held: nil

No. Board meetings attended: 10 of 12
No. Audit Committee meetings attended: 4 of 6
No. Governance, Nomination and Compensation Committee meetings attended: n/a

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

Remuneration: Director's fee: nil; superannuation: nil.

Directors' report

The Directors are pleased to present their report on the consolidated entity ("Hutchison") consisting of Hutchison Telecommunications (Australia) Limited ("HTAL" or "Company") and the entities it controlled at the end of or during the year ended 31 December 2004.

Principal activities
During the year, Hutchison's principal activities included the ownership and operation of Australia's only W-CDMA, third generation (3G) mobile network (branded "**3**") across the five mainland capital cities; the ownership and operation of a CDMA network branded Orange in and around Sydney and Melbourne; and a national paging and messaging service also operating under the Orange brand.

In December 2004, a controlled entity, Hutchison 3G Australia Pty Limited, signed an agreement with Telstra Corporation Limited for the joint ownership and operation of its W-CDMA radio access network. Both companies will continue to operate separate retail operations under different brands.

Dividends
No dividend was declared or paid during the financial year.

Review of operations
Comments on the operations of Hutchison and results of those operations are contained in pages 4 to 14 of this report.

Matters subsequent to the end of the financial year
The Directors consider that no matter or circumstance has arisen since 31 December 2004 that has significantly affected, or may significantly affect:

- Hutchison's operations in future financial years;
- the results of those operations in future financial years; or
- Hutchison's state of affairs in future financial years.

Likely developments and expected results of operations
The first two tranches of the tax consolidation legislation were confirmed when the New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002 was passed by the Senate on 21 October 2002. The financial effect of the legislation has not been recognised in the financial report in accordance with UIG 39 Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances. Hutchison currently anticipates adopting the tax consolidation legislation, however it is deferring the final decision until the financial impacts have been wholly determined.

Other than as set out in the review of operations on pages 4 to 14 of this report, further information on likely developments in the operations of Hutchison and the expected results of operations have not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to Hutchison.

Environmental regulation
Hutchison's operations and business activities are subject to environmental regulations under both Commonwealth and State legislation and the requirements of the *Telecommunications Act 1997*, particularly with regard to:

- the impact of the construction, maintenance and operation of transmission facilities;
- site contamination; and
- waste management.

Hutchison has adopted an environmental policy which includes clearly defined accountability and responsibility for compliance with legislation and for achieving specific environmental management objectives. The Directors are not aware of any material breaches of environmental regulations.

Hutchison's risk review and audit program is designed to ensure that Hutchison meets its obligations under current legislation.

Directors
The following persons were Directors of HTAL during the whole of the year ended 31 December 2004 and up to the date of this report:

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

Mr Chan Ting Yu was a Director of HTAL from the beginning of the year until his resignation on 10 May 2004. Mr Chan attended all four Board meetings held while he was a Director. Mr Chan was a member of the Governance, Nomination and Compensation Committee and attended the only meeting of that committee held while he was a Director. Mr Lai Kai Ming, Dominic was appointed as a Director on 19 May 2004 and continues in office at the date of this report.

Information regarding the current Directors appears on pages 22 and 23.

Retirement, election and continuation in office of Directors
Lai Kai Ming, Dominic, having been appointed since the last Annual General Meeting, in accordance with the Constitution, retires as a Director at the Annual General Meeting and offers himself for re-election.

Barry Roberts-Thomson is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Holger Kluge is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Dennis Pok Man Lui is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Directors' and executives' emoluments
Compensation philosophy and practice

The Governance, Nomination and Compensation Committee is responsible for making recommendations to the Board on compensation policies and packages for all staff, including Board members and senior executives of Hutchison. Hutchison's compensation policy is designed to ensure that remuneration strategies are competitive, innovative and support the business objectives. Hutchison is committed to ensuring it has compensation arrangements that reflect individual performance, overall contribution to the business and developments in the external market. Remuneration packages generally involve a balance between fixed and performance based components, the latter being assessed against objectives which include both Company and job specific targets. Remuneration and other terms of employment for certain senior executives are formalised in service agreements. Further details are included in our Corporate Governance Statement.

Details of the nature and amount of each element of the emoluments of each Director of HTAL and each of the five executives of HTAL, and the Consolidated Entity, receiving the highest emoluments are set out in note 25 to the financial statements, Director and executive disclosures.

Share options granted to Directors and the most highly remunerated officers
Options over unissued ordinary shares of HTAL granted during or since the end of the financial year to any of the five most highly remunerated officers of the Company and consolidated entity as part of their remuneration were as follows:

No. of options granted during the year:

K Russell	3,000,000
N Dews	1,050,000
D Dyson	950,000
P Wise	920,000
M Young	1,050,000

None of these options vested during the year.

There were no options issued to any of the Directors during the year.

Options are granted to Directors and executives under the Hutchison Telecommunications (Australia) Limited Executive Option Plan which was approved by the Board on 3 July 1999. Full time, permanent part-time and casual employees are eligible to participate in the Plan and acquire ordinary shares.

Options are granted under the Plan for no consideration. Options granted under the Plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The amount received on the exercise of options will be recognised as issued capital at the date of the issue of the shares.

The exercise price of options is the higher of the following:

(a) the closing price of HTAL shares on the Australian Stock Exchange on the day on which the options are granted; and

(b) the average closing price of HTAL shares for the five trading days immediately preceding the day on which the options are granted.

Shares under option
Unissued ordinary shares of HTAL under option issued pursuant to the Executive Option Plan at the date of this report are as follows:

Grant Date	Expiry Date	Issue Price	Number
18 Aug 01	17 Aug 06	$0.540	70,000
23 Jul 04	31 Dec 10	$0.455	15,820,000
30 Jul 04	31 Dec 10	$0.460	150,000
20 Aug 04	31 Dec 10	$0.405	100,000
10 Dec 04	31 Dec 10	$0.360	450,000
23 Dec 04	31 Dec 10	$0.345	150,000

No option holder has any right under the options to participate in any other share issue of HTAL or of any other entity.

Shares issued on the exercise of options
No ordinary shares of HTAL were issued during the year ended 31 December 2004 on the exercise of options granted under the Executive Option Plan. Since 31 December 2004, no ordinary shares of HTAL have been issued on the exercise of options granted under the Executive Option Plan.

Loans to Directors and executives
There are no loans to Directors or executives.

Directors' and officers' liability insurance
During the financial year, HWL paid a premium to insure the Directors and officers of Hutchison against loss or liability arising out of a claim for a wrongful act, including any costs, charges and expenses that may be incurred in defending any actions, suits, proceedings or claims.

Proceedings on behalf of HTAL
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of HTAL, or to intervene in any proceedings to which HTAL is a party, for the purpose of taking responsibility on behalf of HTAL for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of HTAL with leave of the Court under section 237 of the *Corporations Act 2001*.

Rounding of amounts to nearest thousand dollars
HTAL is a company 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. Where noted, amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases to the nearest dollar.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Fok Kin-ning, Canning
Chairman

Frank Sixt
Director

15 February 2005

Financial Statements

Statement of Financial Performance

for the year ended 31 December 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Revenue from ordinary activities	2	1,173,293	353,704	378,295	263,736
Cost of handsets sold		(356,711)	(111,602)	(63,748)	(26,174)
Cost of interconnection and variable content costs		(171,072)	(55,810)	(80,784)	(37,764)
Other direct costs of provision of telecommunication services and goods		(134,368)	(118,089)	(97,045)	(78,508)
Employment costs		(104,391)	(91,812)	(22,826)	(20,062)
Advertising and promotion expenses		(87,758)	(71,894)	(20,217)	(15,594)
Rental expense relating to operating leases		(77,457)	(50,225)	(14,050)	(14,136)
Amortisation of customer acquisition costs		(60,356)	(24,630)	(16,526)	(14,915)
Bad and doubtful debts expense	3	(16,068)	(7,127)	(4,108)	(2,446)
Other operating expenses		(67,087)	(40,280)	(13,289)	(17,870)
Depreciation expense	3	(171,606)	(119,906)	(50,030)	(57,617)
Amortisation of spectrum licences	3	(75,034)	(50,948)	(432)	–
Amortisation of capitalised development costs	3	(5,789)	(4,473)	(4,742)	(4,742)
Borrowing costs	3	(178,530)	(91,885)	(88,046)	(88,394)
Carrying value of radio access network infrastructure sold	3	(330,533)	–	–	–
Loss from ordinary activities before income tax	3	(663,467)	(484,977)	(97,548)	(114,486)
Income tax	4	(75)	–	–	–
Loss from ordinary activities after income tax		(663,542)	(484,977)	(97,548)	(114,486)
Net loss attributable to outside equity interest		111,557	75,137	–	–
Net loss attributable to members of Hutchison Telecommunications (Australia) Limited	22b	(551,985)	(409,840)	(97,548)	(114,486)
Total changes in equity other than those resulting from transactions with owners as owners		(551,985)	(409,840)	(97,548)	(114,486)

		Cents	Cents
Basic earnings per share	36	(81.3)	(60.4)
Diluted earnings per share	36	(81.3)	(60.4)

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

Statement of Financial Position

as at 31 December 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Current Assets					
Cash	5	52,200	34,282	21,854	1,852
Receivables	6	504,670	97,867	77,783	112,793
Inventories	7	108,530	27,304	9,728	3,316
Other	8	66,793	71,850	6,429	18,164
Total Current Assets		732,193	231,303	115,794	136,125
Non-Current Assets					
Receivables	9	135,956	16,992	14,433	57,570
Investment accounted for using the equity method	10	–	–	–	–
Other financial assets	11	–	–	1,318,776	1,318,776
Property, plant and equipment	12	973,840	1,151,512	166,421	178,116
Intangible assets	13	1,098,276	1,014,843	136,157	74,012
Other	14	40,034	43,466	7,669	43,466
Total Non-Current Assets		2,248,106	2,226,813	1,643,456	1,671,940
Total Assets		2,980,299	2,458,116	1,759,250	1,808,065
Current Liabilities					
Payables	15	301,302	167,040	78,469	63,290
Interest bearing liabilities	16	202,731	590,731	9,325	2,996
Provisions	17	1,369	602	1,369	578
Other	18	6,399	1,023	1,410	1,028
Total Current Liabilities		511,801	759,396	90,573	67,892
Non-Current Liabilities					
Interest bearing liabilities	19	2,660,487	1,227,386	1,247,009	1,221,176
Provisions	20	799	580	799	580
Total Non-Current Liabilities		2,661,286	1,227,966	1,247,808	1,221,756
Total Liabilities		3,173,087	1,987,362	1,338,381	1,289,648
Net (Liabilities)/Assets		(192,788)	470,754	420,869	518,417
Equity					
Parent entity interest					
Contributed equity	21	1,031,244	1,031,244	1,031,244	1,031,244
Reserves	22(a)	54,887	54,887	–	–
Accumulated losses	22(b)	(1,417,911)	(865,926)	(610,375)	(512,827)
Total parent entity interest		(331,780)	220,205	420,869	518,417
Outside equity interest in controlled entities	23	138,992	250,549	–	–
Total Equity	1	(192,788)	470,754	420,869	518,417

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

Statement of Cash Flows

for the year ended 31 December 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of GST)		721,140	304,926	398,793	244,953
Payments to suppliers and employees (inclusive of GST)		(1,070,686)	(649,390)	(330,365)	(255,749)
		(349,546)	(344,464)	68,428	(10,796)
Dividends received		–	13	–	13
Interest received		2,915	5,630	514	10,219
Borrowing costs		(156,749)	(70,676)	(85,416)	(88,394)
Net cash outflow from operating activities	34	(503,380)	(409,497)	(16,474)	(88,958)
Cash Flows from Investing Activities					
Proceeds from sale of radio access network infrastructure		22,500	321	–	130
Payments for property, plant and equipment		(307,447)	(361,920)	(33,320)	(2,451)
Proceeds from disposal of other non-current assets		891	–	891	–
Proceeds from investment in commercial paper		–	248,400	–	107,400
Loans to subsidiaries		–	–	–	(21,000)
Repayment of loans by subsidiaries		–	–	46,738	24,497
Payments for intangible assets		(239,747)	(68,848)	(42,745)	(21,195)
Net cash (outflow)/inflow from investing activities		(523,803)	(182,047)	(28,436)	87,381
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		1,435,832	687,206	64,912	370
Repayment of interest bearing liabilities		(388,000)	(99,206)	–	–
Repayment of finance lease		(2,731)	(1,430)	–	–
Net cash inflow from financing activities		1,045,101	586,570	64,912	370
Net Increase/(Decrease) in cash held		17,918	(4,974)	20,002	(1,207)
Cash at 1 January		34,282	39,256	1,852	3,059
Cash at 31 December	5	52,200	34,282	21,854	1,852

Non-cash financing and investing activities 35

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

Notes to the Financial Statements

for the year ended 31 December 2004

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Basis of preparation

As at 31 December 2004, Hutchison Telecommunications (Australia) Limited and its controlled entities ("the Consolidated Entity") had a deficiency of capital and reserves of $192,788,000. The Consolidated Entity has also experienced operating losses and negative cash flows from operating activities during the financial year ended on that date. As at 15 February 2005 the Consolidated Entity had the following debt and debt facility balances.

Lender/Facility	Facility Amount $000	Drawn Amount $000	Undrawn Amount $000	Repayment Date	HWL Funded or Guaranteed
Hutchison Communications (Australia) Pty Ltd	196,000	196,000	–	December 2006	Yes
Hutchison OMF Limited	500,000	–	500,000	December 2006	Yes
Convertible Notes	600,176	600,176	–	July 2007	No*
Fixed Medium Term Notes	425,000	425,000	–	November 2006	Yes
Term Facility	25,833	25,833	–	July 2006	Yes
Bi-lateral Term Facility	200,000	200,000	–	February 2008	Yes
Syndicated Term Facility	1,500,000	1,500,000	–	August 2009	Yes
Total	**3,447,009**	**2,947,009**	**500,000**		

*Hutchison Whampoa Ltd. indirectly owns 99.65% of the convertible notes.

The undrawn facilities of $500,000,000 as at 15 February 2005 exceed the Consolidated Entity's expected cash flow requirements for the 12 month period to 15 February 2006. Under existing agreements between Hutchison Telecommunications (Australia) Limited, Hutchison Whampoa Ltd ("HWL") and Telecom Corporation of New Zealand ("TCNZ"), HWL has committed to ensuring that the company has access to funding which covers the Consolidated Entity's expected cash flow requirements for the 12 month period to 15 February 2006. On this basis the Directors believe that not withstanding the shortfall in net assets it is appropriate to prepare the financial report on a going concern basis.

International Financial Reporting Standards (IFRS)

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 has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Consolidated Entity's financial statements for the half year ended 30 June 2005 and 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 (z).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Hutchison Telecommunications (Australia) Limited ("Company" or "Parent Entity") as at 31 December 2004 and the results of all controlled entities for the year then ended. Hutchison Telecommunications (Australia) Limited and its controlled entities together are referred to in this financial report as the Consolidated Entity. The effects of all transactions between entities in the Consolidated Entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Note 1. Summary of significant accounting policies continued

(c) Foreign currency translation
(i) Transactions
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and amounts receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit and loss for the year.

(ii) Specific Commitments
Hedging is undertaken as considered appropriate in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

(d) Acquisitions of assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

(e) Revenue recognition
Revenue from operating activities represents revenue earned from the sales of the Consolidated Entity's products and services, net of returns, trade allowances and duties and taxes paid. Revenue from outside the operating activities includes interest income, foreign exchange gains, dividends received and proceeds from the sale of property, plant and equipment.

Revenue from sale of handsets is recognised at the date of despatch of goods, pursuant to the signing of the customer's contract and when all the associated risks have passed to the customer. Provision is made for doubtful debts where doubt as to collection exists.

Revenue from telecommunication services is recognised when the service has been provided. Provision is made for doubtful debts where doubt as to collection exists.

(f) Receivables
Trade debtors are generally settled within 30 days and are carried at amounts receivable.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(g) Inventories
Finished goods include handsets, devices and accessories and are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the first in first out method. Costs comprise purchase price only.

(h) Recoverable amount of non-current assets
The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement is recognised as an expense in net profit and loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate of 11% (2003: 9%).

Recoverability of the Consolidated Entity's recorded amounts for non-current assets depend on future events which involve risks and uncertainties, some of which are outside the control of the Consolidated Entity.

This is particularly the case for early stage businesses, such as the Consolidated Entity's "3" business. Specific risks and uncertainties of the "3" business include the competitive environment and demand for the use of 3G technology and services.

The directors have carefully considered the above factors and have reviewed the progress of the Consolidated Entity's business plans and forecasts to date. At this time, the directors are of the view that the outlook for continued successful development and commercialisation of the Consolidated Entity's technologies is positive, and that the recorded amounts of the Consolidated Entity's non-current assets are not stated in excess of their recoverable amount.

(i) Investments
Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

Interests in listed securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when received.

The directors have reviewed the recoverable amount of investments in subsidiaries and are satisfied there is no permanent diminution in carrying value, other than as disclosed in note 11.

The interest in a joint venture partnership is accounted for as set out in note 1(w).

(j) Depreciation of property, plant and equipment
Depreciation is calculated on a straight line basis to write off the depreciable amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Consolidated Entity. Assets are depreciated from the date they are brought into commercial service, or in the respect of internally constructed assets from the time the asset is completed and held ready for use. Estimates of remaining useful lives are made on regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	40 years
Computer equipment	4 years
Furniture, fittings and office equipment	4 to 7 years
Network equipment	4 to 15 years

Leased assets are amortised on a straight-line basis over the term of the lease , or where ownership will be obtained, then over the useful life of the asset. Leased assets held at reporting date are being amortised over four years.

(k) Leasehold improvements
The depreciable amount of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Consolidated Entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 4–15 years.

(l) Intangible assets and expenditure carried forward
(i) Spectrum licences and capitalised development costs
Costs associated with acquiring spectrum licences are capitalised. The amortisation of capitalised development costs and the spectrum licences commenced upon the commercial readiness of the network. The spectrum licences and development costs are amortised on a straight line basis over the periods of their expected benefit, being not more than the licence term. The carrying value of this intangible asset is reviewed by the directors on a regular basis and written down to recoverable amount where this is less than the carrying value (refer note 1(h)).

All costs directly attributable to the construction of the network assets are capitalised as work in progress (refer note 1(v)). All other costs directly attributable to the creation of an asset within the business are capitalised as development costs.

(ii) Capitalised funding costs
Costs incurred relating to debt facility fees are capitalised and amortised on a straight line basis over the life of the facility. Other ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the term of the borrowing.

(m) Payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Interest bearing liabilities
Loans are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors. Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the cost of qualifying assets (refer note 1(v)).

Convertible notes are included as a liability based upon the principal value of the notes. The liability is included in borrowings until conversion or maturity of the notes. Interest is accrued based upon the cash coupon rate and included in other creditors until paid semi-annually.

(o) Maintenance and repairs
Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(p) Employee benefits
(i) Wages and Salaries, and Annual Leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees’ services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Note 1. Summary of significant accounting policies continued

(ii) Long Service Leave
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity, as closely as possible, the estimated future cash outflows.

(iii) Bonus Plan
A liability for employee benefits in the form of bonus plan is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

– there are formal terms in the plan for determining the amount of the benefit

– the amounts to be paid are determined before the time of completion of the financial report, or

– past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Superannuation
Contributions to defined contribution superannuation plans are charged to expense as the contributions are paid or become payable.

(v) Ownership-based remuneration schemes
Ownership-based remuneration is provided to employees via the Hutchison Telecommunications (Australia) Limited Executive Option Plan. Information relating to these schemes is set out in note 30.

No accounting entries are made in relation to the Hutchison Telecommunications (Australia) Limited Executive Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 25 include the assessed fair values of options at the date they were granted.

(q) Cash
For the purpose of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(r) Earnings per share
(i) Basic earnings per share
Basic earnings per share is determined by dividing the net loss after income tax attributable to members of the company, excluding any costs of servicing equity other than the ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Share offer expenses
Share offer expenses borne by the company are accounted for directly against share capital.

(t) Customer acquisition costs
The direct costs of establishing customer contracts are recognised as an asset and amortised as other direct costs of provision of telecommunication services and goods over the period during which the future economic benefits are expected to be obtained. The direct costs include commissions paid for obtaining customer contracts and the subsidised portion of handsets, if any, sold to customers and other directly attributable costs.

(u) Leased non-current assets
A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(v) Non-current assets constructed by the Consolidated Entity – qualifying assets
The cost of non-current assets constructed by the Consolidated Entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead. Work-in-progress is costs directly attributable to the construction of tangible assets, prior to construction being completed.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(w) Joint Ventures
(i) Joint Venture Partnership
The interest in a joint venture partnership is accounted for using the equity method. Under this method the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of the movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 32.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(ii) Joint Venture Operations
The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture operations are set out in note 32.

(x) Borrowing costs
Borrowing costs are recognised as expenses in the year in which they are incurred, except where they are included in the costs of qualifying assets – refer note 1(v).

Borrowing costs include:

– interest on bank overdrafts and short-term and long-term borrowings

– amortisation of discounts or premiums relating to borrowings

– amortisation of ancillary costs incurred in connection with the arrangement of borrowings

– finance lease charges, and

– certain exchange differences arising from foreign currency borrowings

(y) Rounding
Where noted, all dollar amounts in this financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, for presentation in accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/0100.

(z) 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 all available Australian equivalents to IFRS and has identified certain accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

Major changes identified to date that will be required to the Consolidated Entity's existing accounting policies include the following (references to the new AASB standards below are to the Australian equivalents to the IFRS issued in July 2004):

(i) Income taxes
Under the new 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) Capitalised funding costs
Under the new 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. Currently, capitalised borrowing costs are treated separately as an intangible asset. This will result in capitalised funding costs being allocated to specific qualifying assets and depreciated over the life of that asset.

Note 1. Summary of significant accounting policies continued

(ii) Subscriber Acquisition Costs
Under the Urgent Issues Group (UIG) Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*, the cost of telephones provided to subscribers do not meet the prescriptive definition of subscriber acquisition costs that must be capitalised. In addition, directly attributable subscriber acquisition costs are to be amortised over the lesser of the stated period of the contract and the period over which the future economic benefits are expected to be obtained.

Under UIG Abstract 42 *Subscriber Acquisition Costs in the Telecommunications Industry*, the cost of telephones provided to subscribers is recognised as a subscriber acquisition cost and the amortisation of the subscriber acquisition cost asset is over the period during which the future economic benefits are expected to be obtained.

As a result of Interpretation 1042, the Company will change its current accounting policy. The subsidised portion of the handset will no longer be recognised as an asset and the amortisation of subscriber acquisition costs will be over the shorter of the stated period of the contract and the period during which the future economic benefits are expected to be obtained.

The change in accounting policy will result in a material reduction in the Intangible Asset relating to Customer Acquisition Costs in the Consolidated Entity and Parent Entity. The adjustment will reduce opening retained earnings as at 1 January 2004.

(iii) Equity-based compensation
Under the new 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 the new AASB 139 *Financial Instruments: Recognition and Measurement*, a change in accounting policy for financial instruments is anticipated requiring recognition of all 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.

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 the potential exists for amendments to Australian equivalents to IFRS to occur before their adoption in 2006.

Note 2. Revenue

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Revenue from operating activities				
Sale of handsets	244,780	99,252	91,922	44,036
Services	523,148	240,904	277,537	207,871
	767,928	340,156	369,459	251,907
Revenue from outside the operating activities				
Interest	3,035	5,630	545	10,219
Dividends	–	13	–	13
Proceeds from sale of radio access network infrastructure (note 3 (b))	386,869	–	–	–
Proceeds from sale/disposal of other non-current assets (note 3)	891	321	891	130
Net foreign exchange gains (note 3)	12,536	6,622	3,481	1,165
Other	2,034	962	3,919	302
	405,365	13,548	8,836	11,829
Revenue from ordinary activities	1,173,293	353,704	378,295	263,736

Note 3. Loss from ordinary activities before income tax

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(a) Net gains and expenses				
Loss from ordinary activities before income tax includes the following specific net gains and expenses:				
Net gains				
Net gain on sale of property, plant and equipment (refer (b) below)	40,335	–	–	–
Net foreign exchange gain	12,536	6,622	3,481	1,165
Net gain on sale/disposal of other non-current assets	891	29	891	48
Expenses				
Borrowing costs				
Interest and finance charges paid/payable	201,458	102,963	88,046	88,394
Less: amount capitalised	(22,928)	(11,078)	–	–
Borrowing costs expensed	178,530	91,885	88,046	88,394
Depreciation				
Buildings	33	33	–	–
Computer equipment	57,182	46,344	10,190	15,892
Computer equipment under finance lease	1,867	1,684	–	–
Fixtures and office equipment	10,758	12,793	4,295	7,784
Network equipment	97,485	48,841	35,545	33,941
Assets under construction	4,281	12,450	–	–
Less: amount capitalised	–	(2,239)	–	–
Total depreciation	171,606	119,906	50,030	57,617
Amortisation				
Capitalised development costs	5,789	4,473	4,742	4,742
Spectrum licence	75,034	50,948	432	–
Total amortisation	80,823	55,421	5,174	4,742
Total amortisation and depreciation	252,429	175,327	55,204	62,359
Bad debts written off	10,248	2,333	3,407	2,331
Provision for doubtful debts	5,820	4,794	701	115
Total bad and doubtful debts	16,068	7,127	4,108	2,446
Inventory written off	6,783	3,510	389	806
Provision for inventory write-down	12,299	764	1,137	176
(b) Sale of property, plant and equipment				
Proceeds on sale of radio access network infrastructure	386,869	–	–	–
Less: Carrying value of radio access network infrastructure sold	(330,533)	–	–	–
Taxes, duties, professional fees and other related transaction costs	(16,001)	–	–	–
Net gain on sale of radio access network infrastructure	40,335	–	–	–

Note 3. Loss from ordinary activities before income tax continued

In December 2004, Hutchison 3G Australia Pty Limited sold 50% of its radio access network infrastructure to Telstra onAir Holdings Pty Limited. The sale price was $447,103,000 payable under a fixed payment schedule in four instalments starting December 2004 through to July 2006. The proceeds of $386,869,000 recognised in revenue for the year ended 31 December 2004 reflects the stage of completion of the assets and the net present value of the instalments discounted using a risk adjusted discount rate of 11%. Under the arrangement, Hutchison 3G Australia Pty Limited is committed to provide further assets before 31 March 2005. Further details of this capital commitment are disclosed in note 32. The contingent revenue associated with the supply of these assets is approximately $49,085,000 and will be recognised in accordance with the stage of completion of the assets. The following details the sale transaction:

	$'000
Sales price	447,103
Contingent revenue	(49,085)
Net present value adjustment	(11,149)
Proceeds recognised in revenue	386,869
Classified as:	
Current receivable (note 6)	263,018
Non-current receivable (note 9)	101,351
	364,369
First instalment paid in December 2004	22,500
	386,869

Note 4. Income Tax

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the net loss. The differences are reconciled as follows:				
Net loss before income tax	(663,467)	(484,977)	(97,548)	(114,486)
Income tax calculated @ 30% (2003: 30%)	(199,040)	(145,493)	(29,264)	(34,346)
Tax effect of permanent differences				
Non deductible amortisation	–	1,023	–	1,023
Entertainment	44	30	3	13
R&D tax concession claim (25%)	(826)	(2,714)	–	–
Non deductible interest expense	3	–	3	–
Income tax adjusted for permanent differences	(199,819)	(147,154)	(29,258)	(33,310)
Income tax benefit on timing differences/tax losses not brought to account	199,744	147,154	29,258	33,310
Income tax attributable to operating result	(75)	–	–	–
The directors estimate of the potential future income tax benefit at 31 December 2004, in respect of tax losses not brought to account is	648,152	411,630	170,029	147,630

This benefit for tax losses will only be obtained if:

(i) the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the company complies with the conditions for deductibility imposed by tax legislation; or

(ii) the Hutchison Telecomunications (Australia) Limited 100% group and the Hutchison 3G Australia Holdings Pty Limited 100% group enter into the Tax Consolidation regime (as separate tax consolidated groups) and;

(a) the relevant tax consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and

(b) the tax losses comply with the conditions for both the transfer to the Head Entity of the group on entering into the Tax Consolidations regime, and with the conditions for deductibility imposed by tax legislation.

Note 5. Current assets – Cash

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Cash at bank and on hand	52,200	34,282	21,854	1,852

Restrictions on cash at bank
At 31 December 2004 cash at bank includes collateral for bank guarantees of $32,325,000 (2003: $32,325,000) (note 27).

Note 6. Current assets – Receivables

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Trade debtors	209,967	106,046	83,502	71,078
Less: Provision for doubtful debts	(13,535)	(8,795)	(5,767)	(5,304)
	196,432	97,251	77,735	65,774
Other debtors	308,238	616	48	281
Loan to subsidiary	–	–	–	46,738
	504,670	97,867	77,783	112,793

Other debtors
Included in other debtors is a $307,728,000 receivable including GST of $44,710,000, for the sale of radio access network infrastructure (refer to note 3 (b)). Refer to note 9 for the non-current portion of the receivable.

Loan to subsidiary
Interest on the loan to subsidiary was charged at a rate of Bank Bills Swap Yield (BBSY) plus 2.4%p.a. (note 29).

Note 7. Current assets – Inventories

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Finished goods at cost	122,042	28,517	11,490	3,941
Less: Provision for inventory write-down	(13,512)	(1,213)	(1,762)	(625)
	108,530	27,304	9,728	3,316

Note 8. Current assets – Other

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Short term deposits	20,500	8,500	–	8,500
Prepayments	46,229	63,275	6,366	9,591
Other	64	75	63	73
	66,793	71,850	6,429	18,164

Short term deposits
At 31 December 2004 there were $20,500,000 in short term deposits maturing on 1 January 2005 (2003: $8,500,000). The average interest rate was 5.25% (2003: 4.81%).

Note 9. Non-current assets – Receivables

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Trade debtors	38,094	19,401	14,925	9,522
Less: Provision for doubtful debts	(3,489)	(2,409)	(1,459)	(1,221)
	34,605	16,992	13,466	8,301
Other debtors	101,351	–	–	–
Loans to subsidaries	–	–	967	49,269
	135,956	16,992	14,433	57,570

Other debtors
Included in other debtors is a $101,351,000 receivable for the sale of radio access network infrastructure (refer to note 3 (b)). Refer to note 6 for the current portion of the receivable.

Loans to subsidaries
Further information relating to loans to subsidaries is set out in note 29.

Note 10. Non-current assets – Investment accounted for using the equity method

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Interest in joint venture partnership (note 32)	–	–	–	–

Under the partnership agreement described in note 32 each partner has contributed $1 to the share capital of the partnership. No transactions have been entered into by the joint venture in the current financial year.

Note 11. Non-current assets – Other financial assets

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Non-traded investments				
Shares in controlled entities – at cost (note 31)	–	–	1,334,947	1,334,947
Less: Provision for diminution in value	–	–	(16,171)	(16,171)
	–	–	1,318,776	1,318,776
Traded investments – at cost				
Shares in other corporations	–	–	–	–
Total investments at cost	–	–	1,318,776	1,318,776
Traded investments – net market values				
Shares in other corporations ($nil cost)	–	940	–	940

The provision for diminution in value is in respect of the Company's interest in Bell Organisation Pty Limited, and Lindian Pty Limited, and was recorded in 1995.

Traded investments represent shares issued by Insurance Australia Group Limited and Baycorp Advantage Limited on demutualisation. These shares were disposed of in 2004 for sale proceeds of $891,000.

Note 12. Non-current assets – Property, plant and equipment

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Land and buildings				
At cost	1,610	1,610	29	29
Less: Accumulated depreciation	(176)	(143)	–	–
Total Land and buildings	1,434	1,467	29	29
Fixtures, fittings and office equipment				
At cost	92,901	85,135	58,862	57,845
Less: Accumulated depreciation	(36,583)	(25,825)	(23,928)	(19,633)
Total Fixtures, fittings and office equipment	56,318	59,310	34,934	38,212
Computer equipment				
At cost	286,952	251,919	65,352	64,802
Less: Accumulated depreciation	(140,339)	(83,157)	(59,637)	(49,446)
Total computer equipment	146,613	168,762	5,715	15,356
Computer equipment under finance lease	10,370	10,370	–	–
Less: Accumulated amortisation	(3,551)	(1,684)	–	–
Total computer equipment under finance lease	6,819	8,686	–	–
Total Computer equipment	153,432	177,448	5,715	15,356
Network equipment				
At cost	465,399	594,513	236,318	200,792
Less: Accumulated depreciation	(135,524)	(95,906)	(115,492)	(79,964)
Total Network equipment	329,875	498,607	120,826	120,828
Network equipment – joint venture operation				
At net book value	330,533	–	–	–
Less: Accumulated depreciation	–	–	–	–
Total Network equipment – joint venture operation (note 32)	330,533	–	–	–
Assets under construction				
Work in progress	110,096	427,130	4,917	3,691
Less: Accumulated depreciation	(7,848)	(12,450)	–	–
Total Work in progress	102,248	414,680	4,917	3,691
Total property, plant and equipment	973,840	1,151,512	166,421	178,116
Reconciliation of land and buildings				
Carrying amount at beginning of year	1,467	1,500	29	29
Additions	–	–	–	–
Disposals	–	–	–	–
Depreciation (note 3 (a))	(33)	(33)	–	–
Carrying amount at end of year	1,434	1,467	29	29
Reconciliation of fixtures, fittings and office furniture				
Carrying amount at beginning of year	59,310	56,866	38,212	46,760
Additions	7,766	18,741	1,017	1,645
Disposals	–	(3,504)	–	(2,409)
Depreciation (note 3 (a))	(10,758)	(12,793)	(4,295)	(7,784)
Carrying amount at end of year	56,318	59,310	34,934	38,212

Note 12. Non-current assets – Property, plant and equipment continued

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Reconciliation of computer equipment				
Carrying amount at beginning of year	168,762	48,875	15,356	31,345
Additions	35,033	167,151	549	681
Disposals	–	(920)	–	(778)
Depreciation (note 3 (a))	(57,182)	(46,344)	(10,190)	(15,892)
Carrying amount at end of year	146,613	168,762	5,715	15,356
Reconciliation of computer equipment under finance lease				
Carrying amount at beginning of year	8,686	–	–	–
Additions	–	10,370	–	–
Disposals	–	–	–	–
Depreciation (note 3 (a))	(1,867)	(1,684)	–	–
Carrying amount at end of year	6,819	8,686	–	–
Reconciliation of network equipment				
Carrying amount at beginning of year	498,607	152,895	120,828	145,909
Additions	589,819	394,589	35,543	8,891
Disposals	(330,533)	(36)	–	(31)
Depreciation (note 3 (a))	(97,485)	(48,841)	(35,545)	(33,941)
Transfer to joint venture operation	(330,533)	–	–	–
Carrying amount at end of year	329,875	498,607	120,826	120,828
Reconciliation of network equipment – joint venture operation				
Carrying amount at beginning of year	–	–	–	–
Additions	–	–	–	–
Transfer in from network equipment	330,533	–	–	–
Disposals	–	–	–	–
Depreciation	–	–	–	–
Carrying amount at end of year	330,533	–	–	–
Reconciliation of assets under construction				
Carrying amount at beginning of year	414,680	625,010	3,691	12,514
Additions	324,467	382,357	38,335	2,394
Transfers out	(632,618)	(580,237)	(37,109)	(11,217)
Depreciation (note 3 (a))	(4,281)	(12,450)	–	–
Carrying amount at end of year	102,248	414,680	4,917	3,691

Valuations of land and buildings
Land and buildings are shown at cost rather than at valuation. Land and buildings were revalued on the 15 March 2004 by independent assessments made by a member of the Australian Property Institute. The basis of the valuation of land and buildings was fair value being the amounts for which the assets could be exchanged between willing parties in an arm length's transaction, based on current prices in an active market for similar properties in the same location and condition. The total valuation of land and buildings was $1,965,000.

Note 13. Non-current assets – Intangible assets

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Spectrum licences at cost	939,177	939,177	43,644	–
Less: Accumulated amortisation	(140,277)	(65,243)	(432)	–
	798,900	873,934	43,212	–
Capitalised development costs	66,052	66,052	61,843	61,843
Less: Accumulated amortisation	(21,686)	(15,897)	(21,734)	(16,992)
	44,366	50,155	40,109	44,851
Customer acquisition costs	303,760	86,941	80,506	37,761
Less: Accumulated amortisation	(87,343)	(26,987)	(33,798)	(17,272)
	216,417	59,954	46,708	20,489
Capitalised funding costs	60,136	37,207	13,016	13,016
Less: Accumulated amortisation	(21,543)	(6,407)	(6,888)	(4,344)
	38,593	30,800	6,128	8,672
	1,098,276	1,014,843	136,157	74,012

Spectrum licence
On 22 November 2004, as a result of a reorganisation within the Group, the CDMA spectrum licence was transferred from Hutchison Telephone Pty Limited to Hutchison Telecommunications (Australia) Limited.

Note 14. Non-current assets – Other

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Prepayments	40,034	43,466	7,669	43,466

Note 15. Current liabilities – Payables

Trade creditors	156,848	99,964	35,179	28,715
Other creditors	144,454	67,076	43,290	34,575
	301,302	167,040	78,469	63,290

Note 16. Current liabilities – Interest bearing liabilities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Secured				
Lease liabilities	2,731	2,731	–	–
Unsecured				
Bank loans	200,000	350,000	–	–
Loans from related entities (note 29)	–	238,000	6,329	–
Loans from subsidaries (note 29)	–	–	2,996	2,996
	202,731	590,731	9,325	2,996

Lease liabilities
Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default (refer note 19).

Bank loans
The $200,000,000 bank loan has a repayment date of 10 February 2005. The effective cost of funding is calculated on BBSY plus 2.1% p.a. (2003: BBSY plus 2.4%p.a.) and is wholly guaranteed for principal and interest by the ultimate parent entity Hutchison Whampoa Limited.

Loans from related entities
The average interest rate charged on the $238,000,000 loan from related entities during 2003 was BBSY plus 2.4% p.a.

Loans from subsidaries
No interest is charged on the loans from subsidaries.

Note 17. Current liabilities – Provisions

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Employee benefits (note 30)	1,369	602	1,369	578

Hutchison Telecommunication (Australia) Limited employs all staff and charges Hutchison 3G Australia Pty Limited all associated employment costs that Hutchison 3G Australia Pty Limited incurs at cost.

Note 18. Current liabilities – Other

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Customer deposits	1	2	1	2
Unearned income	6,398	1,021	1,409	1,026
	6,399	1,023	1,410	1,028

Note 19. Non-current liabilities – Interest bearing liabilities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Secured				
Lease liabilities	3,478	6,210	–	–
Unsecured				
Bank loans	1,435,833	–	–	–
Loans from parent entity (note 29)	196,000	196,000	196,000	196,000
Loans from subsidary (note 29)	–	–	25,833	–
Fixed medium term notes	425,000	425,000	425,000	425,000
Convertible notes	600,176	600,176	600,176	600,176
	2,657,009	1,221,176	1,247,009	1,221,176
	2,660,487	1,227,386	1,247,009	1,221,176

Lease liabilities
Leased liabilities are secured against the underlying assets which revert to the lessor in case of default. The carrying value of the assets pledged as security is $6,819,000 representing leased computer equipment.

Bank loans
$1,410,000,000 of the bank loans has a repayment date of 17 August 2009. The effective cost of funding is calculated on BBSY plus 2.22% p.a.

$25,833,000 of the bank loans has a repayment date of 26 July 2006. The effective cost of funding is calculated on USD London Interbank Offer Rate (LIBOR) plus 2.2% p.a.

The bank loans are wholly guaranteed for principal and interest by the ultimate parent entity, Hutchison Whampoa Limited.

Financing arrangements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Unrestricted access was available at balance date to the following lines of credit:				
Bank loan facilities				
Total facilities	1,725,833	350,000	–	–
Used at balance date	(1,635,833)	(350,000)	–	–
Unused at balance date	90,000	–	–	–

Loans from parent entity
The average interest rate charged on the parent entity loan of $196,000,000 during the year was BBSY plus 2.45% p.a. (2003: BBSY plus 1.4% p.a.).

Loans from subsidary
The average interest rate charged on the subsidary loan of $25,833,000 during the year was USD LIBOR plus 2.2% p.a.

Fixed medium term notes
During 2001, $425,000,000 was raised through a five year bonds issue, maturing November 2006 at coupon rate of 6.50% payable semi-annually. The securities are wholly guaranteed for principal and interest by the ultimate parent Hutchison Whampoa Limited.

Convertible notes
On 15 July 2002, 909,358,150 convertible notes were issued by Hutchison Telecommunications (Australia) Limited for a term of 5 years and provided a cash coupon payment of 5.5% per annum, payable semi-annually until the earlier of conversion or maturity date. The issue price of each convertible note was $0.66. The convertible notes may be converted into ordinary shares of the company at the option of the holder (in certain circumstances) on a one for one basis. There has been no movement in the convertible notes during the year.

Note 20. Non-Current Liabilities – Provisions

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Employee benefits (note 30)	799	580	799	580

Hutchison Telecommunication (Australia) Limited employs all staff and charges Hutchison 3G Australia Pty Limited all associated employment costs that Hutchison 3G Australia Pty Limited incurs at cost.

Note 21. Contributed equity

	2004 Shares	2003 Shares	2004 $'000	2003 $'000
Share capital				
Ordinary shares (fully paid)	678,625,429	678,625,429	1,031,244	1,031,244

Share capital
Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Convertible notes
On 15 July 2002, 909,358,150 convertible notes were issued by Hutchison Telecommunications (Australia) Limited for a term of 5 years. The issue price was $0.66. The convertible notes may be converted into ordinary shares of the company at the option of the holder (in certain circumstances) on a one for one basis. None of these convertible notes have been converted into ordinary shares.

Options
Information relating to the Hutchison Telecommunications (Australia) Limited Employee Option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 30.

There has been no movement in share capital during the year.

Note 22. Reserves and accumulated losses

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(a) Reserve				
Capital reserve	54,887	54,887	–	–

Nature and purpose of reserve
The capital reserve relates to the surplus arising on consolidation of 19.9% stake in Hutchison 3G Australia Holdings Pty Limited. It is not distributable until realised. There has been no movement in the capital reserve during the year.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(b) Accumulated losses				
Accumulated losses at 1 January	(865,926)	(456,086)	(512,827)	(398,341)
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(551,985)	(409,840)	(97,548)	(114,486)
Accumulated losses at 31 December	(1,417,911)	(865,926)	(610,375)	(512,827)

Note 23. Outside equity interest in controlled entities

	Consolidated	
	2004	2003
	$'000	$'000
Interest in:		
Share capital in subsidiary	341,477	341,477
Accumulated losses	(202,485)	(90,928)
	138,992	250,549

Note 24. Financial Instruments

Interest Rate Risk Exposures
The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2004	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest bearing $'000	Total $'000
Financial Assets							
Cash and deposits	5	52,200	–	–	–	–	52,200
Receivables	6, 9	–	–	101,351	–	539,275	640,626
Other assets	8, 14	–	20,500	–	–	64	20,564
		52,200	20,500	101,351	–	539,339	713,390
Weighted average interest rate		3.31%	5.25%	11.00%			
Financial Liabilities							
Trade and other creditors	15	–	–	–	–	301,302	301,302
Customer deposits	18	–	–	–	–	1	1
Other liabilities	16, 19	1,831,833	2,731	1,028,654	–	–	2,863,218
		1,831,833	2,731	1,028,654	–	301,303	3,164,521
Weighted average interest rate		7.77%	6.38%	5.92%			
Net financial assets (liabilities)		(1,779,633)	17,769	(927,303)	–	238,036	(2,451,131)

2003	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest bearing $'000	Total $'000
Financial Assets							
Cash and deposits	5	34,282	–	–	–	–	34,282
Receivables	6, 9	–	–	–	–	114,859	114,859
Other assets	8, 14	–	8,500	–	–	75	8,575
		34,282	8,500	–	–	114,934	157,716
Weighted average interest rate		4.86%	5.25%				
Financial Liabilities							
Trade and other creditors	15	–	–	–	–	167,040	167,040
Customer deposits	18	–	–	–	–	2	2
Other liabilities	16, 19	786,731	–	1,031,386	–	–	1,818,117
		786,731	–	1,031,386	–	167,042	1,985,159
Weighted average interest rate		6.87%		5.92%			
Net financial assets (liabilities)		(752,449)	8,500	(1,031,386)	–	(52,108)	(1,827,443)

Exposures arise predominately from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity.

Note 24. Financial Instruments continued

Net Fair Value of Financial Assets and Liabilities
The net fair value of cash, deposits and non-interest bearing monetary financial assets and financial liabilities of the Consolidated Entity approximate their carrying amounts.

Credit Risk Exposure
The carrying amounts of the financial assets included in the consolidated statement of financial position represent the economic entity's maximum exposure to credit risk in relation to these assets.

Forward Exchange Contracts
In order to protect against exchange rate movements, the Consolidated Entity entered into forward exchange contracts to purchase US dollars. The contracts were timed to mature when the payment was anticipated to be made.

At balance date, the details of outstanding contracts are:

	Australian Dollars		Average Exchange Rate	
	2004 $'000	2003 $'000	2004	2003
Buy USD/Sell Australian Dollars				
Maturity: 0–6 months	156,397	–	0.7757	–
Maturity: 6–12 months	50,625	–	0.7709	–

As these contracts are hedging anticipated future payments, any unrealised gains/costs on the contracts are deferred and will be recognised in the measurement of the underlying transaction.

The following gains, losses and costs have been deferred at 31 December 2004:

	2004 $'000	2003 $'000
Realised gains	–	–
Unrealised gains	1,254	–
Total gains	1,254	–
Unrealised losses	–	–
Costs of contracts	–	–
Total losses and costs	–	–
Net losses and costs	–	–

Note 25. Director and executive disclosures

Directors
The following persons were directors of Hutchison Telecommunications (Australia) Limited during the financial year.

Chairman – non-executive
C Fok

Executive directors
B Roberts-Thomson

Non-executive directors
D Lui
T Chan (from 1 January to 10 May 2004)
J Gardener
H Kluge
F Sixt
D Lai (from 19 May 2004)

Executives (other than directors) with the greatest authority for strategic direction and management
The following persons were the five executives with the greatest authority for the strategic direction and management of the Consolidated Entity ("specified executives") and the five highest remunerated executives during the financial year:

Name	Position	Employer
K Russell	Chief Executive Officer	Hutchison Telecommunications (Australia) Limited
N Dews	Director, 3 Sales, Marketing and Content	Hutchison Telecommunications (Australia) Limited
D Dyson	Chief Financial Officer	Hutchison Telecommunications (Australia) Limited
P Wise	Director, Orange Mobile, Paging and Information Services	Hutchison Telecommunications (Australia) Limited
M Young	Director, Technology, Infrastructure and Services	Hutchison Telecommunications (Australia) Limited

All of the above were also specified executives during the year ended 31 December 2003, except for N Dews who commenced employment with the group on 10 November 2003 and was a specified executive from that date onwards.

Remuneration of directors and executives
Principles used to determine the nature and amount of remuneration
The Company's compensation policy is designed to ensure that remuneration strategies are competitive, innovative and support the business objectives. The Company is committed to ensuring it has compensation arrangements that reflect individual performance, overall contribution to the business and developments in the external market. Remuneration packages generally involve a balance between fixed and performance based components, the latter being assessed against objectives which include both company and job specific financial and non-financial measures.

Directors' fees
The remuneration of the non-executive and independent directors, J Gardener and H Kluge, was comprised of a fixed amount only and was not performance based. The non-executive and non-independent directors, C Fok, D Lui, F Sixt, T Chan (from 1 January 2004 to 10 May 2004) and D Lai (from 19 May 2004), did not receive any remuneration for their services as directors. The executive and non-independent director, B Roberts-Thomson, did not receive any remuneration for his service as a director.

Retirement allowances for directors
No retirement allowances are payable to independent directors.

Executive pay
The executive pay and reward framework has four components:

– base pay and benefits

– short-term performance incentives

– long-term incentives through participation in the Hutchison Executive Option Plan

– other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay
Base pay is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There is no guaranteed base pay increases fixed in any senior executives' contract.

Benefits
Motor vehicles are provided to certain executives as part of their salary package.

Note 25. Director and executive disclosures continued

Retirement benefits
Retirement benefits are delivered under the Hutchison Superannuation Fund. This fund is a defined contribution fund and is based on employer and employee contributions made to the fund.

Short-term incentives
Short-term incentive components of the remuneration package are assessed against objectives which include both company and job specific financial and non-financial measures for each executive. These measures may include financial, customer service, product management, risk management and individual measures that support key company objectives. Each executive has a target short term incentive the level of which is set depending on the accountabilities of the role and impact on organisation or business unit performance. If achieved, at the discretion of the board, short term incentive bonuses are paid in cash on 31 December each year.

Each year, the governance, nominations and compensation committee considers the appropriate target levels and financial and non-financial measures of performance to link to the short term incentives. This includes setting any maximum amount for incentives, and minimum levels of performance to trigger payment of the incentives.

Hutchison Telecommunications Executive Option Plan
Details on the Hutchison Telecommunication Executive Option plan are set out below.

Details of remuneration
Details of the remuneration of each director of Hutchison Telecommunications (Australia) Ltd and each of the five specified executives of the Consolidated Entity, including their personally-related entities, are set out in the following tables.

Directors of Hutchison Telecommunications (Australia) Limited

2004	**Primary**			**Post-Employment**		**Equity**	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
C Fok	–	–	–	–	–	–	–
D Lui	–	–	–	–	–	–	–
B Roberts-Thomson	400,000	–	73,924	11,293	–	–	485,217
T Chan*	–	–	–	–	–	–	–
J Gardener	50,000	–	–	4,500	–	–	54,500
H Kluge	50,000	–	–	4,500	–	–	54,500
D Lai*	–	–	–	–	–	–	–
F Sixt	–	–	–	–	–	–	–
Total	500,000	–	73,924	20,293	–	–	594,217

*Mr Chan resigned as a director on 10 May 2004 and Mr Lai was appointed as a director on 19 May 2004.

Total remuneration of directors of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2003 is set out below.

2003	**Primary**			**Post-Employment**		**Equity**	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
C Fok	–	–	–	–	–	–	–
D Lui	–	–	–	–	–	–	–
B Roberts-Thomson	400,000	–	62,804	10,760	–	–	473,564
T Chan	–	–	–	–	–	–	–
J Gardener	50,000	–	–	4,500	–	–	54,500
H Kluge	50,000	–	–	4,500	–	–	54,500
F Sixt	–	–	–	–	–	–	–
Total	500,000	–	62,804	19,760	–	–	582,564

Note 25. Director and executive disclosures continued

Specified executives of the Consolidated Entity

2004	Primary			Post-Employment		Equity		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Number of options issued during the year	Options $	Total $
K Russell	831,707	650,000	88,536	11,293	–	3,000,000	76,605	1,658,141
N Dews	453,278	142,500	5,834	11,293	–	1,050,000	26,812	639,717
D Dyson	398,998	209,170	5,834	11,293	–	950,000	24,258	649,553
P Wise	432,540	127,500	5,834	11,293	–	920,000	23,492	600,659
M Young	468,540	175,000	5,834	11,293	–	1,050,000	26,812	687,479
	2,585,063	1,304,170	111,872	56,465	–	6,970,000	177,979	4,235,549

All options were issued to the above executives on 23 July 2004 and all options expire on 10 December 2010. The exercise price of the options was $0.45 and the value per option at grant date was $0.25. The options are exercisable, subject to meeting performance hurdles on the following dates:

- 25% after 1 September 2005
- 50% after 1 September 2006
- 25% after 1 September 2007

Total remuneration of specified executives for the year ended 31 December 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*. In some cases, different individuals are included than those specified above in the current year.

2003	Primary			Post-Employment		Equity		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Number of options	Options $	Total $
Total	2,346,093	1,161,983	82,709	53,800	–	–	–	3,644,585

Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the other specified executives are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses. A target bonus is set for each executive and the amount paid can be lower or higher than the target. The payment of any bonus is at the absolute discretion of the board. The bonus is based on both company and personal performance goals. The specified excutives, when eligible, can participate in the Hutchison Executive Option Plan. The Chief Executive Officer is provided with a non-cash benefit in the provision of a motor vehicle and all the specified executives are provided with car parking. The service agreements for all specified executives are for no fixed term and upon early termination, other than for gross misconduct, K Russell, N Dews, D Dyson are entitled to 3 months base salary, M Young 4 months base salary and P Wise 12 months salary. Remuneration is reviewed annually by the governance, nominations and compensation committee. Details of the remuneration paid for 2004 are shown in the table above.

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each of the five specified executives of the Consolidated Entity are shown above, in the executives remuneration table. When exercisable, each option is convertible into one ordinary share of Hutchison Telecommunications (Australia) Limited. No options were issued to any of the directors during the year.

Options are granted under the Hutchison Telecommunications (Australia) Limited Executive Option plan which was approved by the board on 3 July 1999. Full time, permanent part-time and casual employees are eligible to participate in the plan and acquire ordinary shares.

Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The amount received on the exercise of options will be recognised as issued capital at the date of the issue of the shares.

Note 25. Director and executive disclosures continued

The exercise price of options is the higher of the following:

(a) the closing price of the options of Hutchison Telecommunications (Australia) Limited shares on the Australian Stock Exchange on the day on which the options were granted; and

(b) the average closing price of Hutchison Telecommunications (Australia) Limited shares for the five trading days immediately preceding the day on which the options were granted.

No ordinary shares were issued on the exercise of remuneration options during the year to any of the directors or specified executives.

Options holdings

The number of options over ordinary shares in the company held during the financial year by each director of Hutchison Telecommunications (Australia) Limited and each of the five specified executives of the Consolidated Entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Hutchison Telecommunications (Australia) Limited						
B Roberts-Thomson	325,000	–	–	(325,000)	–	–
Specified executives of the Consolidated Entity						
K Russell	–	3,000,000	–	–	3,000,000	–
N Dews	–	1,050,000	–	–	1,050,000	–
D Dyson	–	950,000	–	–	950,000	–
P Wise	–	920,000	–	–	920,000	–
M Young	–	1,050,000	–	–	1,050,000	–
	–	6,970,000	–	–	6,970,000	–

No options are vested and unexerciseable at the end of the year.

Share holdings

The number of shares in the company held during the financial year by each director of Hutchison Telecommunications (Australia) Limited and each of the five specified executives of the Consolidated Entity, including their personally-related entities, are set out below.

Directors of Hutchison Telecommunications (Australia) Limited

Ordinary shares

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
C Fok	1,100,000	–	–	1,100,000
D Lui	–	–	–	–
B Roberts-Thomson	84,961,247	–	–	84,961,247
T Chan	–	–	–	–
J Gardener	102,858	–	–	102,858
H Kluge	200,000	–	–	200,000
F Sixt	–	–	–	–
D Lai	–	–	–	–

Note 25. Director and executive disclosures continued

Specified executives of the Consolidated Entity
Ordinary shares

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
K Russell	1,100,000	–	–	1,100,000
N Dews	67,790	–	2,671	70,461
D Dyson	1,024,242	–	2,671	1,026,913
P Wise	200,000	–	210,000	410,000
M Young	–	–	–	–

Loans to directors and executives
There were no loans made to the directors of Hutchison Telecommunications (Australia) Limited or to the five specified executives of the Consolidated Entity, including their personally-related entities during the years ending 31 December 2004 and 31 December 2003.

Other transactions with directors and specified executives
There were no other transactions with directors and the specified executives for the years ending 31 December 2004 and 31 December 2003.

Note 26. Remuneration of Auditors

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
During the year the following services were paid to the auditor of the Parent Entity, its related practices and non-related audit firms:				
Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	313,498	351,309	154,682	185,309
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm:				
IT audit	108,000	118,402	31,892	91,180
Other assurance services	56,882	59,000	14,316	32,000
Total remuneration for assurance services	478,380	528,711	200,890	308,489
Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	259,174	264,220	87,506	131,369
Advisory services				
Fees paid to related practices of PricewaterhouseCoopers Australian firms	442,357	127,910	–	–

It is Hutchison Telecommunications (Australia) Limited's policy to employ PricewaterhouseCoopers on assignments, additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with Hutchison Telecommunications (Australia) Limited are important, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is Hutchison Telecommunications (Australia) Limited's policy to seek competitive tenders for all major consulting projects.

Note 27. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2004 are as follows:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Guarantees				
Secured guarantees in respect of leases and loans of controlled entities	32,325	32,325	3,350	3,350
Unsecured guarantees in respect of leases of controlled entities	15,171	14,682	15,171	14,682
	47,496	47,007	18,521	18,032

The guarantees in respect of leases and loans of controlled entities are secured by cash collateral over the term of the leases.

No material losses are anticipated in respect of any of the above contingent liabilities.

The directors are not aware of any further contingent liabilities existing at reporting date.

Note 28. Commitments for expenditure

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Capital Commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than 1 year	129,320	206,783	1,884	–
Later than 1 year but not later than 5 years	71,195	81,686	–	–
Later than 5 years	–	–	–	–
	200,515	288,469	1,884	–
The above commitments include capital expenditure commitments relating to the 3GIS joint venture operation (note 32 (b))	49,085	–	–	–
Lease Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Operating leases				
Not later than 1 year	51,919	49,573	8,045	9,361
Later than 1 year but not later than 5 years	130,344	109,461	19,706	14,063
Later than 5 years	62,999	63,594	4,865	6,816
	245,262	222,628	32,616	30,240
Representing:				
Non-cancellable operating leases	245,262	222,628	32,616	30,240

Note 28. Commitments for expenditure continued

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Not later than 1 year	3,048	3,274	–	–
Later than 1 year but not later than 5 years	3,645	6,693	–	–
Minimum lease payments	6,693	9,967	–	–
Less: Future finance charges	(484)	(1,026)	–	–
Recognised as a liability	6,209	8,941	–	–
Representing lease liabilities:				
Current (note 16)	2,731	2,731	–	–
Non-current (note 19)	3,478	6,210	–	–
	6,209	8,941	–	–

The weighted average interest rate implicit in the leases is 6.38% (2003: 7.69%).

Note 29. Related Parties

Directors and specified executives
Disclosures relating to directors and specified executives are set out in note 25.

Wholly-Owned Group
The wholly-owned group consists of Hutchison Telecommunications (Australia) Limited and its wholly-owned controlled entities, Bell Paging Pty Limited, Bell Organisation Pty Limited, Bell Communications Pty Limited, Lindian Pty Limited, Erlington Pty Limited, Hutchison Telephone Pty Limited and HTAL Facilities Pty Limited. Ownership interests in these controlled entities are set out in note 31.

During the year, Hutchison Telecommunications (Australia) Limited paid a licence fee to Hutchison Telephone Pty Limited of $9,037,456 (2003: $10,399,044) for the use of the CDMA spectrum licence owned by Hutchison Telephone Pty Limited up to 22 November 2004. In addition, Hutchison Telephone Pty Limited paid interest of $4,237,976 (2003: $5,159,709) to Hutchison Telecommunications (Australia) Limited on the intercompany loan balance for the same period. On 22 November 2004, as a result of a Hutchison Telecommunications (Australia) Limited group reorganisation the licence was transferred from Hutchison Telephone Pty Limited to Hutchison Telecommunications (Australia) Limited at carrying value of $43,644,000.

Aggregate amounts receivable from, and payable to, entities in the wholly-owned group at balance date:

	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Non current receivables		
Subsidiaries (note 9)	967	49,269
Current borrowings		
Subsidiaries (note 16)	2,996	2,996
Non-current borrowings		
Subsidiary (note 19)	25,833	–

The average interest rate charged on the non-current receivables during the year was 5.96% (2003: 5.96%).

No interest is charged on the current loans from subsidiaries.

The average interest rate charged on the subsidary loan of $25,833,000 during the year was USD LIBOR plus 2.2% p.a..

Note 29. Related Parties continued

Other Related Parties

Aggregate amounts receivable from, and payable to, each class of other related parties at reporting date:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current receivables				
Controlled entity (note 6)	–	–	–	46,738
Current borrowings				
Controlled entity (note 16)	–	–	6,329	–
Current borrowings				
Commonlly controlled entity (note 16)	–	238,000	–	–
Non-current borrowings				
Ultimate Australian parent entity (note 19)	196,000	196,000	196,000	196,000

The average interest rate charged on the $6,329,000 loan from the controlled entity during the year was BBSY plus 2.4% p.a..

The average interest rate charged on the ultimate Australian parent entity loan of $196,000,000 during the year was BBSY plus 2.45% p.a. (2003: BBSY plus 1.4% p.a.).

Transactions with other related parties

Transactions between Hutchison Telecommunications (Australia) Limited and its controlled entity, Hutchison 3G Australia Pty Limited during the years ended 31 December 2004 and 2003 consisted of:

(a) loans advanced by Hutchison Telecommunications (Australia) Limited

(b) loans repaid to Hutchison Telecommunications (Australia) Limited

(c) the payment of interest on the above loans

(d) reimbursing expenditures incurred by Hutchison Telecommunications (Australia) Limited, at cost, on behalf of Hutchison 3G Australia Pty Limited in relation to its operations and build of the 3G network, including salaries, rent, marketing, travel, consulting and professional fees, management fees for executive services, computer software and hardware, global development, and network and site deployments costs. The total of these transactions was $98,003,810 (2003: $88,815,591)

The parent entity Hutchison Telecommunication (Australia) Limited employs all staff and charges Hutchison 3G Australia Pty Limited all associated employment costs that Hutchison 3G Australia Pty Limited incurs at cost

(e) interconnect and co-location revenue charged by Hutchison Telecommunications (Australia) Limited. The total of these transactions was $7,675,241 (2003: Nil)

(f) interconnect and co-location revenue charged by Hutchison 3G Australia Pty Limited. The total of these transactions was $2,789,191 (2003: Nil)

(g) In December 2004, Hutchison 3G Australia Pty Limited purchased from Hutchison Telecommunications (Australia) Limited the right to use transmission capacity to 2017 for $32,749,000.

Note 29. Related Parties continued

Aggregate amounts included in the determination of loss from ordinary activities before income tax that resulted from transactions with each class of other related parties:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest revenue				
Controlled entities	–	–	143	2,008
Interest expense				
Ultimate Australian parent entity	47,417	45,308	47,417	50,456
Commonly controlled entity	10,327	1,765	–	–
Controlled entity	–	–	1,925	–

The Consolidated Entity participates in the global development of 3G network platforms and IT systems with other related parties. $7,789,591 (2003: $22,229,587) has been paid during the year and $10,336,985 (2003: $17,766,430) has been accrued at the reporting date to cover recharges of global development costs from other related parties.

During the year, $477,222 (2003: $7,370,290) and $4,623 (2003: nil) were paid to associated companies, Etsa Utilities and Powercor Australia Ltd respectively, which are part of the ultimate parent entity's group, for the provision of telecommunication services and goods. In addition, $12,593,265 (2003: $5,255,282) was paid to other related parties in India for the establishment and operation of call centre services.

There were forward exchange contracts entered into by a controlled entity Hutchison 3G Australia Pty Limited with the related party entity Hutchison OMF Limited.

There were no transactions with other related parties during the years ended 31 December 2004 and 31 December 2003.

Controlling entities

The holding company and Australian parent entity is Hutchison Communications (Australia) Pty Limited which at 31 December 2004 owns 58% (2003: 58%) of the issued ordinary shares of Hutchison Telecommunications (Australia) Limited. Hutchison Communications (Australia) Pty Limited holds 906,206,358 (99.65%) of the 5 year convertible notes issued on 15 July 2002 which may be converted into ordinary shares of the company at the option of the holder (in certain circumstances) on a one for one basis. The ultimate parent entity is Hutchison Whampoa Limited (incorporated in Hong Kong) which at 31 December 2004 beneficially owns 100% (2003: 100%) of the issued shares of Hutchison Communications (Australia) Pty Limited.

Note 30. Employee benefits

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Employee benefit and related on-costs liabilities				
Included in other creditors – current (note 15)	5,098	4,682	5,098	4,682
Provision for employee benefits – current (note 17)	1,369	602	1,369	578
Provision for employee benefits – non-current (note 20)	799	580	799	580
Aggregate employee benefit and related on-costs liabilities	7,266	5,864	7,266	5,840
Employee numbers				
Average number of employees during the financial year	1,132	1,123	1,132	1,123

Hutchison Telecommunications Employee Option Plan
The establishment of the Hutchison Telecommunications (Australia) Limited Executive Option Plan was approved by the Board on 3 July 1999. All permanent full-time, permanent part-time and casual employees are eligible to participate in the plan and acquire ordinary shares. As at 31 December 2004, a total of 16,740,000 (2003: 1,140,000) options were on issue. Options granted under the plan carry no dividend or voting rights. During the year, 17,120,000 options was granted to employees under the plan. Option are granted under the plan for no consideration. The amount received on the exercise of options will be recognised as issued capital at the date of issue of the shares.

70,000 options have vested at the reporting date (2003: 1,140,000). The fair value of the fully vested options is nil, as the market price at year end is below the exercise price.

Set out below are summaries of options granted under the plan.

	Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
Consolidated	16 Aug 99	15 Aug 04	$2.000	1,070,000	–	–	1,070,000	–
and Parent Entity	18 Aug 01	17 Aug 06	$0.540	70,000	–	–	–	70,000
– 2004	23 Jul 04	31 Dec 10	$0.455	–	16,270,000	–	450,000	15,820,000
	30 Jul 04	31 Dec 10	$0.460	–	150,000	–	–	150,000
	20 Aug 04	31 Dec 10	$0.405	–	100,000	–	–	100,000
	10 Dec 04	31 Dec 10	$0.360	–	450,000	–	–	450,000
	23 Dec 04	31 Dec 10	$0.345	–	150,000	–	–	150,000
Total				1,140,000	17,120,000	–	1,520,000	16,740,000
Consolidated	16 Aug 99	15 Aug 04	$2.000	1,290,000	–	–	220,000	1,070,000
and Parent Entity	18 Aug 01	17 Aug 06	$0.540	70,000	–	–	–	70,000
– 2003								
Total				1,360,000	–	–	220,000	1,140,000

Note 31. Investments in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2004 %	Equity Holding 2003 %
Bell Organisation Pty Limited	Australia	Ordinary	100	100
Bell Paging Pty Limited	Australia	Ordinary	100	100
Bell Communications Pty Limited	Australia	Ordinary	100	100
Lindian Pty Limited	Australia	Ordinary	100	100
Erlington Pty Limited	Australia	Ordinary	100	100
Hutchison Telephone Pty Limited	Australia	Ordinary	100	100
HTAL Facilities Pty Limited	Australia	Ordinary	100	–
Hutchison 3G Australia Holdings Pty Limited	Australia	Ordinary	80	80
Hutchison 3G Australia Pty Limited	Australia	Ordinary	80	80
Mondjay Pty Limited	Australia	Ordinary	80	80
H3GA Facilities Pty Limited	Australia	Ordinary	80	–

HTAL Facilities Pty Limited and H3GA Facilities Pty Limited have share capital of $2 and were non-trading during the year.

Note 32. Interest in joint ventures

(a) Joint Venture Partnership
In December 2004 a controlled entity, Hutchison 3G Australia Pty Limited, established a 50% interest in a new partnership, 3GIS Parternership ('3GIS'), with Telstra OnAir Holdings Pty Limited. 3GIS's principal activity is the operation and construction of 3G radio access network infrastructure. Information relating to the assets, liabilities, revenue, expenses and operating results of the partnership have not been disclosed here as no transactions have occurred during the year.

(b) Joint Venture Operation
Under the same partnership agreement described in note 32 (a), the ownership of the 50% of the existing 3G radio access network infrastructure remains with a controlled entity, Hutchison 3G Australia Limited. On this basis the network assets are proportionally consolidated in accordance with the accounting policy described in note 1 (w)(ii) under the following classifications:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Non-current assets				
Plant and equipment – at net book value (note 12)	330,533	–	–	–
Less: Accumulated depreciation	–	–	–	–
	330,533	–	–	–

Capital Commitments
Under the sale transaction described in note 3 (b), Hutchison 3G Australia Pty Limited is committed to provide further assets of approximately $49,085,000 before 31 March 2005.

Note 33. Segment Information

Business Segments
The Consolidated Entity operated entirely within the telecommunications industry with the following product and service types:

Orange
Orange products including post pay and prepaid mobile 'Orange', paging and information services.

3
A third generation (3G) mobile network and business which commenced operations in the second quarter of 2003.

Geographical Segments
The Consolidated Entity operates entirely within Australia.

Note 33. Segment Information continued

Primary reporting – business segments	Orange $'000	3 $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
2004				
REVENUE				
Sales to external customers	365,762	402,166	–	767,928
Intersegment sales	3,697	2,664	(6,361)	–
Other revenue	9,006	402,359	(6,000)	405,365
Total segment revenue	378,465	807,189	(12,361)	1,173,293
RESULT				
Segment result	(99,522)	(560,590)	(3,355)	(663,467)
Loss from ordinary activities before income tax				(663,467)
Income tax				(75)
Net loss				(663,542)
Segment assets	1,771,428	2,533,110	(1,324,239)	2,980,299
Segment liabilities	1,329,323	1,843,737	27	3,173,087
Investments in joint venture partnership	–	–	–	–
Acquisition of property, plant and equipment and intangible assets	76,065	471,129	–	547,194
Depreciation and amortisation	61,942	190,487	–	252,429
Non-cash expenses other than depreciation and amortisation	19,070	46,297	–	65,367
Net cash outflow from operating activities	16,474	486,906	–	503,380
2003				
REVENUE				
Sales to external customers	251,907	88,249	–	340,156
Other revenue	22,228	8,541	(17,221)	13,548
Total segment revenue	274,135	96,790	(17,221)	353,704
RESULT				
Segment result	(113,652)	(377,571)	6,246	(484,977)
Loss from ordinary activities before income tax				(484,977)
Income tax				–
Net loss				(484,977)
Segment assets	1,866,228	2,002,900	(1,411,012)	2,458,116
Segment liabilities	1,343,398	747,629	(103,665)	1,987,362
Acquisition of property, plant and equipment and intangible assets	22,743	397,834	10,191	430,768
Depreciation and amortisation	67,606	107,721	–	175,327
Non-cash expenses other than depreciation and amortisation	18,343	17,688	–	36,031
Net cash outflow from operating activities	88,958	349,319	(28,780)	409,497

Note 34. Reconciliation of net loss attributed to members of Hutchison Telecommunications (Australia) Limited to net cash outflow from operating activities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Loss from ordinary activities after income tax	(663,542)	(484,977)	(97,548)	(114,486)
Amortisation	80,823	55,421	5,174	4,742
Depreciation	171,606	119,906	50,030	57,617
Amortisation – subscriber acquisition costs	60,356	24,630	16,526	14,915
Amortisation – loan facility fee	15,136	–	2,544	–
Net (gain) on sale of property, plant and equipment	(40,335)	(29)	–	(48)
Net (gain) on sale of non-current assets	(891)	–	(891)	–
Increase in provision for doubtful debts	5,820	4,794	701	115
(Increase) in receivables	(122,507)	(68,771)	(12,936)	(37,582)
(Increase)/decrease in inventories	(81,226)	(23,462)	(6,412)	521
Decrease/(increase) in other assets	12,247	(48,258)	14,782	5,126
Increase/(decrease) in payables	52,771	11,516	10,164	(19,592)
Increase/(decrease) in other current liabilities	5,376	(98)	382	(93)
Increase/(decrease) in employee entitlements	986	(169)	1,010	(193)
Net cash (outflow) from operating activities	(503,380)	(409,497)	(16,474)	(88,958)

Note 35. Non-cash financing and investing activities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Acquisition of plant and equipment by means of finance lease	–	10,370	–	–

Note 36. Earnings per share

	Consolidated 2004 Cents	Consolidated 2003 Cents
Basic earnings per share	(81.3)	(60.4)
Diluted earnings per share	(81.3)	(60.4)

	2004 Number	2003 Number
Weighted average number of ordinary shares outstanding during the year (adjusted for bonus elements in ordinary shares issued during the year) used in calculation of basic earnings per share	678,625,429	678,625,429
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted earnings per share	678,625,429	678,625,429

Reconciliation of earnings used in calculating basic earnings and diluted earnings per share

	Consolidated 2004 $'000	Consolidated 2003 $'000
Net loss	(663,542)	(484,977)
Net loss attributable to outside equity interest	111,557	75,137
Earnings used in calculating basic and diluted earnings per share	(551,985)	(409,840)

Information Concerning the Classification of Securities
Options
Options granted to employees and directors under the Hutchison Telecommunications (Australia) Limited Executive Option Plan are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive. The options have not been included in the determination of the basic earnings per share. Further details relating to the options are disclosed in note 30.

Convertible Notes
Convertible notes are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are dilutive. The convertible notes have not been included in the determination of the basic earnings per share. Further details relating to convertible notes are disclosed in note 19.

The total number of potential ordinary shares that are not dilutive is 926,098,150 (2003: 910,498,150).

Note 37. Events subsequent to balance date

Subsequent to balance date no matter or circumstance has arisen that has significantly affected, or may significantly affect:

(i) the operations of the Company and Consolidated Entity's in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Company and Consolidated Entity's in future financial years.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 27 to 63 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company 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
Chairman

Frank Sixt
Director

15 February 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent audit report to the members of Hutchison Telecommunications (Australia) Limited

Audit opinion

In our opinion, the financial report of Hutchison Telecommunications (Australia) Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Hutchison Telecommunications (Australia) Limited and the Hutchison Telecommunications (Australia) Limited Group (defined below) as at 31 December 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit 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 both Hutchison Telecommunications (Australia) Limited (the company) and the Hutchison Telecommunications (Australia) Group (the consolidated entity), for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that 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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website
http://www.pwc.com/au/financialstatementaudit

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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

PricewaterhouseCoopers

DJ Whale
Partner

Sydney
15 February 2005

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Shareholder information

The shareholder information set out below was applicable as at 9 March 2005

Substantial shareholders

Substantial shareholders in the Company are:

	Shareholding	Percentage
Hutchison Communications (Australia) Pty Limited#	477,312,105	70.3%
Telecom Corporation of New Zealand Limited*	392,353,358	57.8%
Telstra Corporation Limited**	477,312,105	70.3%
Leanrose Pty Limited	84,958,747	12.5%

Notes

Substantial shareholding includes relevant interest arising from an equitable mortgage of shares between Leanrose Pty Limited and Hutchison Communications (Australia) Pty Limited.

* Substantial shareholding arises solely as a result of the relevant interest in shares held by Hutchison Communications (Australia) Pty Limited and certain commitments given to Telecom Corporation of New Zealand Limited by Hutchison Whampoa Limited, the ultimate parent company of Hutchison Communications (Australia) Pty Limited which were approved by shareholders in August 2001, not as a result of a direct or indirect holding of shares in the Company by Telecom Corporation of New Zealand Limited.

** Substantial shareholding arises solely as a result of the relevant interest in shares held by Hutchison Communications (Australia) Pty Limited and certain commitments given to Telstra Corporation Limited by Hutchison Whampoa Limited, the ultimate parent company of Hutchison Communications (Australia) Pty Limited which were approved by shareholders in October 2004, not as a result of a direct or indirect holding of shares in the Company by Telstra Corporation Limited.

Distribution of equity securities

Range	Ordinary Shares	Convertible Notes	Options
1–1,000	2,007	24	–
1,001–5,000	4,825	75	–
5,001–10,000	1,736	13	–
10,001–100,000	2,326	17	43
100,001–over	210	5	40
Total	11,104	134	83

There were 2,479 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

The names of the 20 largest holders of quoted ordinary shares as at 9 March 2005 are as follows:

Shareholder	Shareholding	% Issued Capital	Rank
Hutchison Communications (Australia) Pty Limited	392,353,358	57.82	1
Leanrose Pty Limited	84,958,747	12.52	2
Citicorp Nominees Pty Limited	12,807,536	1.89	3
Niako Investments Pty Limited	7,600,000	1.12	4
J P Morgan Nominees Pty Limited	7,554,993	1.11	5
Westpac Custodians Nominees Limited	6,228,909	0.92	6
HSBC Custody Nominees (Australia) Limited	4,622,013	0.68	7
Prakash Dayanandan	3,500,000	0.52	8
Warbont Nominees Pty Limited	1,624,000	0.24	9
Arjee Pty Limited	1,600,936	0.24	10
Johnson Yiu Keung Tong & Christina Look Yung Tong	1,350,000	0.20	11
UBS Nominees Pty Limited	1,325,000	0.20	12
Jason Boua Hong Lo	1,300,000	0.19	13
National Nominees Limited	1,277,930	0.19	14
Kevin Steven Russell	1,100,000	0.16	15
Yee Man Tang	1,100,000	0.16	16
Song Song Zhang	798,200	0.12	17
UBS Warburg Private Clients	784,813	0.12	18
Bell Potter Nominees Limited	783,000	0.12	19
Man Fai Lin	750,000	0.11	20

Twenty largest noteholders

The names of the 20 largest holders of quoted convertible notes as at 9 March 2005 are as follows:

Noteholder	Noteholding	Rank
Hutchison Communications (Australia) Pty Limited	906,206,358	1
HSBC Custody Nominees (Australia) Limited	1,378,287	2
Yee Man Tang	839,190	3
Canning Kin-ning Fok	134,000	4
J P Morgan Nominees Australia Limited	80,400	5
Sam Chong Yee Hui & Freda Yu Ha Hui	67,000	6
Capital Enterprises (WA) Pty Limited	60,010	7
Justin Herbert Gardener & Anne Louise Gardener	57,430	8
Citicorp Nominees Pty Limited	46,900	9
James Barry Ritchie & Peggy Dawn Ritchie	29,279	10
Shiva Enterprises Pty Limited	25,000	11
Poompong Patpongpanit	20,636	12
Baker Consulting Pty Limited	17,566	13
Wing Keung Chan & Ho Wai Fong Chan	13,400	14
Ching Tak Fok & Yvonne Leung	13,400	15
Mervyn John Phillips	13,400	16
Colin Pollock & Margaret Irene Pollock	13,400	17
Tania Lee Trevethan	13,400	18
Patricia Chen	10,720	19
Star Performer Pty Limited	10,720	20

Unquoted Equity Securities

Options issued under the Executive Option Plan	Number of Options on issue	16,520,000
	Number of holders	83

Voting rights

The voting rights attaching to each class of equity securities are:

(a) Ordinary shares
On a show of hands, every member present, in person or by proxy, attorney or representative, has one vote.
On a poll every member has one vote for each share.

(b) Options
No voting rights

(c) Convertible notes
No voting rights

Corporate directory

Directors
Fok Kin-ning, Canning
Barry Roberts-Thomson
Lai Kai Ming, Dominic
Dennis Pok Man Lui
Justin H. Gardener
Holger Kluge
Frank John Sixt

Company Secretaries
Edith Shih
Louise Sexton

Investor Relations
Tel: (02) 996 44885
Fax: (02) 996 44649
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
ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Tel: (02) 9285 7116

Auditor
PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
Sydney NSW 2000

Stock Exchange Listing
Hutchison shares are listed on the
Australian Stock Exchange Limited
ASX Code: HTA

Notice of Annual General Meeting
The Annual General Meeting of
Hutchison will be held at:
Building A, 207 Pacific Highway
St Leonards NSW 2065

Date: Monday, 16 May 2005
Time: 10:00 am
A formal notice of meeting
is enclosed.