Hutchison Telecoms

Hutchison Telecommunications
(Australia) Limited
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Companies Announcements Office

Australian Stock Exchange

Date 27 February 2007

Subject: Preliminary 2006 Annual Results

Please find attached the Company's results for the year to 31 December 2006 in the form of Appendix 4E and accompanying press release.

The Annual General Meeting of the Company will be held at 10.00am on 4 May 2007.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited ABN 15 003 677 227

ASX Preliminary Final Report – 31 December 2006

Lodged with the ASX under Listing Rule 4.3A.

This information should be read in conjunction with the 2006 Annual Report.

Contents

Hutchison Telecommunications (Australia) Limited
Year ended 31 December 2006
(Previous corresponding period:
Year ended 31 December 2005)

Results for Announcement to the Market

				$'000
Revenue from ordinary activities *(Appendix 4E item 2.1)*	Up	15.6%	to	1,058,734
Loss from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	Up	38.8%	to	(759,423)
Net loss for the period attributable to members *(Appendix 4E item 2.3)*	Up	38.8%	to	(759,423)

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

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

(Appendix 4E item 2.5) N/A

Hutchison Telecommunications (Australia) Limited
Preliminary Final Report - Year ended 31 December 2006

Contents

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2006 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Hutchison Telecommunications (Australia) Limited
ABN 15 003 677 227

Preliminary Final Report – 31 December 2006

Review of operations [1]

During 2006 the Company achieved a number of significant strategic goals as well reaching key financial milestones. The single focus on our 3G business and brand **3**, and the decision to close our 2G CDMA network has enabled the Company to align with one strategic direction as well as provide a more efficient long term operating model. The upgrade of those 2G customers to **3**, as well as the strong market reaction to the **3** brand, saw the Company break through the milestone of 1 million customers giving **3** scale. Scale lead to positive word of mouth and a customer base that continued to expand rapidly, and reached 1.245 million customers by the end of the year. Our focus on the continued delivery of non-voice services has driven usage of these new services that ultimately drives incremental new revenue and is seeing significant changes in customer behaviour. Financially, although the Company has been impacted by customer acquisition costs from growing our customer base, as well as closure costs related to the CDMA business, we were focused on reaching a positive EBITDA position, which we also achieved.

All of these indicators and performance measures and the strategic direction we have taken has enabled **3** to be in a solid position for 2007 with strong underlying sales momentum. Much of our focus will be on continuing to deliver customer base growth, margin growth and increases in non voice usage and revenue. There are a number of exciting initiatives are planned for 2007 which will help underpin some of those indicators.

For the twelve months to 31 December 2006, net of the 2G CDMA network closure costs, Hutchison achieved a positive EBITDA position of $30.2 million, a $195.8 million turn around on the prior year. That position reflects a continued strengthening net margin driven by strong 3G customer acquisition and reduced external churn combined with tight control of running operating costs.

[1] **Mobile customers** reflects active mobile services in operation at the end of the reporting period and excludes Paging and Information Services.
Service revenue excludes revenue from sales of handsets, interest income and other income.
ARPU represents rolling 12 month average service revenue per user per month at the end of the period across pre and post-paid customers.
Average monthly margin per customer represents rolling 12 month average margin per mobile customer, across pre and post-paid customers per month at the end of the period.
Margin represents service revenue less interconnect and variable content costs.
Average cost of acquisition represents the average direct costs, including commissions, promotional credits and handset subsidies associated with acquiring each new 3G customer for the period.

Specifically, in the 3G business, the principal driver of the consolidated results, compared with the corresponding twelve months in the prior year:

- The number of mobile customers on the 3G network at 31 December 2006 was 1,245,000, an increase of 90.4%. Of the total customer base of 1,245,000, at 31 December 2006, 88.3% or 1,099,000 are post-paid customers.
- Service revenue increased by 75.8% to $848.9 million driven by the significant increase in 3G subscribers, a function of both new acquisitions and the 2G CDMA upgrade programme.
- Average revenue per user (ARPU) for all non-voice services fell marginally from $19 to $17 a function of the dilutionary impact of the ex-CDMA customers who historically have spent less on non-voice services. Excluding these customers, it rose from $19 to $20.
- Average monthly margin per customer was $52 of which $12, or 23.1%, came from non-voice services.
- Usage of non-voice services continued to increase with 56% of the base generating monthly billed events, up from 53% in 2005.
- Average cost of acquisition (CAC) for each new 3G customer in 2006 was $274, down from $402 in 2005.

In August having upgraded 287,000 2G CDMA customers, the Company closed the 2G CDMA network. As reported in the half year results the migration of the 2G CDMA customers to the **3** network has given **3** scale. This increase in scale has had a positive impact on margin growth for the business. Across the year the absolute margin for **3** has grown from an average of $28.7m per month in 2005 to an average of $53.3 million in 2006, an increase of 85.7%. This growth in margin and contained running operating costs have been the key drivers for achieving a positive EBITDA position for the full year, a first since the Company commenced plans for the 3G business. The growth in the total customer base from 1.035 million at the end of 2005 to 1.245 million at the end of 2006, an increase of 20.3%, was achieved while at the same time the total cost base of the business was reduced by $53.3 million or 7.2%.

The Company has improved its share of acquisition net adds[2] in the last twelve months. In 2005 the Company had a 13.6% share of the net adds in the market and in 2006 that share increased to 20.0% of the total net adds in the market, based on the net adds that have been reported by Hutchison and the other three mobile operators for the 2006 calendar year. Of the 210,000 net adds for the Company, 96.7% or 203,000 were contracted post-paid subscribers.

[2] Net adds for the market is calculated from the published customer numbers for all mobile operators at the end of December 2006 compared to the published customer numbers at the end of December 2006.

A summary of the final costs of the 2G CDMA network closure is set out in the table below.

CDMA Network Closure Costs	**FY 2006**
	$M
CDMA customer upgrade costs	
Handset subsidy	77.5
Commissions	8.4
Other indirect expenses	20.7
Total CDMA customer upgrade costs	**106.6**
Site decommissioning costs	**28.0**
Depreciation and amortisation	
Accelerated depreciation	131.6
Accelerated amortisation	41.7
Total depreciation and amortisation	**173.3**
Total CDMA network closure costs	**307.9**

During 2006 the Company's Reported NPAT loss was greater, compared to the prior corresponding reporting period, as a result of these one off costs associated with the CDMA network closure. However the financial performance from the Company's continuing operations has improved and after eliminating these network closure costs from the Reported NPAT, the Underlying NPAT has improved by $95.8 million to a loss of $451.5 million.

Review of Operating Performance [3]

	2006	2005	Y/Y change
Service revenue ($m)	**924.9**	758.2	22.0%
Accounting EBITDA (loss) ($m)	**30.2**	(165.6)	n/a
Underlying NPAT (loss) ($m)	**(451.5)**	(547.3)	17.5%
Impact of CDMA network closure ($m)	**(307.9)**	-	-
Reported NPAT (loss) ($m)	**(759.4)**	(547.3)	-38.8%
Capital expenditure ($m)	**203.8**	207.1	1.6%
Mobile customers – 3G ('000)	**1,245**	654	90.4%
2G ('000)	**-**	381	-100%
Total ('000)	**1,245**	1,035	20.3%
3G Post-paid %	**88.3%**	85.8%	n/a
3G Pre-paid %	**11.7%**	14.2%	n/a
3G/2G blended ARPU	**$67.42**	$66.90	0.8%
3G ARPU	**$70.50**	$78.33	-10.0%
3G ARPU voice	**$53.27**	$59.54	-10.5%
3G ARPU non-voice	**$17.22**	$18.79	-8.4%
– non-SMS	**$6.98**	$7.58	-7.9%
– SMS	**$10.24**	$11.21	-8.7%
3G/2G blended average margin per customer	**$49.29**	$48.17	2.3%
3G average margin per customer	**$52.17**	$54.67	-4.6%
– voice margin per customer	**$40.50**	$41.69	-2.9%
– non-voice margin per customer	**$11.67**	$12.98	-10.1%
3G customers accessing Planet 3	**83%**	70%	n/a
3G content events (millions)	**92.5**	49.4	87.3%
3G customers generating a billed content event	**56%**	53%	n/a
3G SMS sent (millions)	**791.2**	342.4	131.1%
3G customer acquisition cost	**$274**	$402	31.8%

Note: statistical data represents management's best estimates

[3] **EBITDA** represents service revenue less interconnect cost and running operating expenditure plus capitalised incremental direct acquisition and retention costs in accordance with AIFRS.

Underlying NPAT represents the **Reported NPAT** less both the CDMA customer upgrade costs and the site decommissioning costs ($134.6 million) and the accelerated depreciation and amortisation charges ($173.3 million) for the remaining net book value of the CDMA assets, excluding the 850MHz spectrum licence.

Reported NPAT represents net loss after tax attributable to Hutchison Telecommunications (Australia) Limited after minority interest.

Capital expenditure represents cash spend on capital expenditure including the share of cash CAPEX in the period for the 3G network joint venture with Telstra.

3G customers generating a billed content event represents the percentage of customers that have been billed for a content event in a given month across the reporting period.

Financial performance continues to improve
The Company reported a positive EBITDA of $30.2 million. This result is a continuation of the improved financial position over the last two full year reporting periods. Compared to 2005 the EBITDA position improved by $195.8 million and the 2005 EBITDA loss was an improvement on the 2004 EBITDA position of $210.2 million. The 2006 EBITDA performance is a result of a 22% increase in service revenue, a 25% growth in operating margins and a 7% decline in running operating expenses.

The Company has recorded an Underlying NPAT loss of $451.5 million for the full year ending December 2006, which represents a $95.8 million improvement on the NPAT loss in 2005. The Reported NPAT loss for the current reporting period of $759.4 million includes a one off charge of $307.9 million for CDMA network closure costs which incorporates $134.6 million of CDMA customer upgrade costs ($106.6 million) and site decommissioning costs ($28.0 million) and accelerated depreciation and amortisation charges of $173.3 million.

Capital expenditure (CAPEX) for the full year of $203.8 million is marginally lower than the CAPEX for the twelve months ending December 2005. This CAPEX amount includes the 50% Hutchison share of CAPEX costs associated with our 3G radio access network, shared with our 3G network joint venture partner, Telstra Corporation Limited.

Underlying 3G net customer growth continues to remain solid
For the twelve months ended 31 December 2006, the 3G customer base grew by 591,000, or 90.4%. Excluding CDMA upgrades, 304,000 customers joined **3**. This compares to 240,000 net adds in 2005, an increase of 26.7%. The Company is pleased to report a growing proportion of these acquisitions are attributable to word of mouth and referred sales and as **3** adds scale we expect this to continue.

Of the total customer base of 1,245,000, at 31 December 2006, 88.3% or 1,099,000 are contracted post-paid customers.

As set out in the table below, 3G net customer growth, excluding customers upgrading from the 2G CDMA network, showed positive trends both for the December half and also for the full year.

	Full Year	
Net customer growth ('000)	**2006**	**2005**
3 post-paid	**251**	212
3 pre-paid	**53**	28
Net customer growth in 3G	**304**	240
3 CDMA post-paid	**-48**	-83
3 CDMA pre-paid	**-46**	38
Net customer growth in CDMA	**-94**	-45
Total net customer growth	**210**	195

External churn in the 3G business also showed positive trends with post-paid churn at 1.1% for the twelve months of 2006, down from 2.1% for the same period of 2005. Customer satisfaction levels, as measured by both internal and external surveys, continue to improve as the business matures, the Company's service offering strengthens, and the handset range further expands.

From an acquisition and retention perspective, improvements in handset form factor, functionality and price have had a big impact on the 3G business. For the full year of 2006, 19 handsets were introduced to the range; 6 from Nokia, 1 from Motorola, 4 from LG, 6 from Sony Ericsson and 2 from Dopod. There are currently, 24 models of 3G handsets (plus numerous colour choices) available to purchase through our extensive network of sales and servicing outlets, a range well in excess of that of our competitors.

In line with the Company's previously stated roadmap for network development, the upgrade to enable High Speed Downlink Packet Access (HSDPA) is almost complete. This allows users to experience high-speed broadband connectivity between 600 kbps and 1.5 Mbps. Brisbane was upgraded in December, Sydney in January and the other cities expected to be complete by March 2007. A range of consumer and business focused HSDPA enabled handsets as well as the HSDPA enabled mobile broadband data card are available.

Growth in margin

In the predominantly capped plan environment in which we now operate with falling mobile interconnect rates it is the contribution from margin, not ARPU, which is critical to improved financial performance. As foreshadowed last year margin, not ARPU or revenue, is now a more relevant indicator of the underlying health of the Company and the industry in general.

Over the course of the 12 months from December 2005 to December 2006, the Company has recorded an improvement in margin in the 3G business which has grown from an average of $28.7 million per month in 2005 to an average of $53.3 million per month in 2006, an increase of 85.7%. The margin per 3G customer per month has declined marginally from $55 to $52 between the two reporting periods, a function of the higher mix of lower margin former CDMA customers in the total customer base.

ARPU and margin supported by strong use of non-voice services

ARPU in the 3G business declined by 10.0% to $71 over the twelve months of 2006. The drop in voice ARPU includes the full twelve month effect of the 16.7% decrease in mobile interconnect rates, which fell from 18 cents to 15 cents on 1st January 2006. Additionally the full year effect of the lower spend CDMA customers has resulted in the lower voice ARPUs. The change in mobile interconnect rates has had minimal impact on the margin because there is a corresponding decrease in interconnect costs.

The reduction in 3G voice ARPU was anticipated and follows trends in the industry, both locally and internationally. In the 3G business during 2006, the contribution to ARPU from non-voice services, including messaging, multimedia content and high-speed access, declined from $19 in 2005 to $17 in 2006. The 2G CDMA customers that upgraded to **3** were not significant users of services other than voice and text, when they were 2G CDMA customers and our experience is that they have not yet taken up 3G services to the extent of those customers that have joined **3** directly. Excluding this base of former CDMA customers from the ARPU calculations the non-voice ARPU of the remaining customer base grew to $20 in 2006 from the $19 reported for the prior year. Revenue from SMS declined to $10 in 2006 from $11 in 2005. The Company is pleased to report that non-voice ARPU from services other than SMS is 9.9% of total ARPU.

It is expected that the non-voice usage of former 2G CDMA customers will increase over time. Changing customer behaviour is key to encouraging the take-up of non-voice services for both former 2G CDMA and other new customers. With this context the Company is encouraged by the improvement in usage (from 53% of the base in 2005 to 56% in 2006 generating a bill for their usage of 3G services), and also that 83% of the base access the Planet **3** portal on a regular basis, up from 70% a year ago.

During 2006, **3** has continued to lead innovation in content services provided to the customer base. In 2006, customers have enjoyed live Cricket TV, live TV from Big Brother, live coverage from SBS of the World Cup as well as exclusive video highlights from FIFA. They also continued to watch other mobile TV channels including the Cartoon Network, Rage, Sky Racing and ABC Kids in increasing numbers. In addition to a broadening portfolio of Mobile TV, customers also enjoyed news, entertainment, weather and sports content on Planet 3. In 2006 the usage of news increase to 20.6 million events up from 8.9 million events in 2005, finance usage has increased to 4.0 million in 2006 from 1.4 million in 2005 and usage of the sport product increased to 10.8 million in 2006 from 5.5 million events in 2005.

In 2006 Big Brother usage was 63% higher than in 2005 with total number of events at 9.5 million compared to 5.8 million in 2005. During the World Cup more than 900,000 World Cup events were experienced with an average viewing time of six minutes. Across the five 3 mobile Ashes cricket test matches, live Cricket TV was watched more than 1 million times and more than 2 million cricket related services were used.

At the end of December 2006 **3** had more than 930,000 recurring monthly subscriptions to content services, compared to 521,000 at the end of December 2005.

Coverage and network quality continues to improve
During 2006 more than 220 new sites have been added to strengthen and expand the network. Currently, over 2,400 3G network sites are in operation. During the year the Company also launched 3G services in Geelong and Frankston in Victoria and Wollongong in NSW. Currently the network covers more than 56% of the national population and further strengthening of the network will continue in 2007.

With the addition of new sites, new versions of W-CDMA software in the network, continuing network optimisation and improving handsets, the network performance has significantly improved with drop call rates now averaging around 1%, comparable to a high performing 2G GSM network.

New service functionality is also being added to the network to ensure it maintains its current standing as the industry leading 3G network in Australia. Of particular note is the upgrade of the network to HSDPA.

Later software releases into the network will provide theoretical download speeds of around 14 Mbps with expectations that this upgrade will occur before the end of 2007, subject to handset availability. With our 3G radio access network joint venture partner, Telstra, the Company is committed to roll out these future enhancements of HSDPA as and when they are commercially available.

Analysis of Financial Performance [4]

Summary Income Statement $ million	Full Year		
	2006	**2005**	**Y/Y change**
Service revenue	**924.9**	**758.2**	22%
Interconnect cost	**(221.0)**	**(193.1)**	-14%
Margin	**703.9**	**565.1**	25%
Margin %	**76%**	**75%**	1%
Running operating expenditure	**(691.9)**	**(745.2)**	7%
Reported EBITDA (loss)	**12.0**	**(180.1)**	n/a
Capitalisation of acquisition and retention costs	**18.2**	**14.5**	26%
Accounting EBITDA (loss)	**30.2**	**(165.6)**	n/a
CDMA customer upgrade and site decommissioning costs	**(134.6)**	**-**	-
3G depreciation and amortisation	**(209.9)**	**(181.2)**	-16%
2G depreciation and amortisation	**(180.3)**	**(78.9)**	-128.5%
EBIT (loss)	**(494.6)**	**(425.7)**	-16%
Finance cost	**(264.8)**	**(227.1)**	-17%
Loss before tax	**(759.4)**	**(652.8)**	-16%
Tax	**-**	**-**	-
Loss after tax	**(759.4)**	**(652.8)**	-16%
Minority interest	**-**	**105.5**	-100%
Reported NPAT (loss)	**(759.4)**	**(547.3)**	-38.8%
Underlying NPAT (loss)	**(451.5)**	**(547.3)**	18%

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[4] **Costs of interconnection and variable content** includes fixed line and mobile interconnect expenses plus variable content costs.
Running operating expenditure is net of equipment revenue and other income and before capitalisation of direct acquisition cost, excluding CDMA customer upgrade costs and site decommissioning costs of $134.6 million.
CDMA customer upgrade costs and site decommissioning costs include direct and indirect costs to upgrade CDMA customers to the 3G network and costs associated with the network closure.
2G depreciation and amortisation includes the impact of accelerating depreciation and amortisation of CDMA network assets ($173.3 million) plus amortisation relating to the Company's 850MHz spectrum licence
Accounting EBITDA represents service revenue less interconnect cost and running operating expenditure plus capitalised incremental direct acquisition and retention costs in accordance with AIFRS. In future the Company will only be reporting on Accounting EBITDA in line with market practice.

3G non-voice revenue up

Total service revenue, which includes voice and non-voice service revenue, for the twelve months ended December 2006 increased to $924.9 million, a 22.0% increase year on year.

Interconnect revenue is included in total service revenue and increased by 18.8% from $191.8 million in the previous corresponding period to $227.8 million in 2006. During the reporting period, interconnect revenue was booked at the ACCC Mobile Terminating Access Services (MTAS) Pricing Principles rate of 15 cents. This compares to the rate of 18 cents during the same period in 2005.

Service revenue in the 3G business rose from $482.9 million in 2005 to $848.9 million in this reporting period, an increase of 75.8%. 3G service revenue was 91.8% of the Company's total service revenue. This growth included a strong contribution from non-voice services of $235.8 million, an increase of $123.3 million or 109.6% over the corresponding period.

Service revenue in the 2G business declined from $275.3 million to $76.0 million as the Company upgraded 287,000 customers from the 2G CDMA network to the 3G network.

Running operating expenditure

	Full Year		
$million	2006	2005	Y/Y change
Other direct costs of provision of telecommunications services and goods	334.1	366.5	8.8%
Net cost of handsets sold	119.3	136.0	12.3%
Employee benefits expense	111.3	102.6	-8.5%
Advertising and promotion expenses	55.3	69.3	20.2%
Other operating expenses	77.6	97.0	20.0%
Other income	(2.0)	(17.6)	88.6%
Share of net profits of joint venture partnership accounted for using equity method	(0.7)	-	n/a
Interest and rental income	(3.0)	(8.6)	65.1%
Total running operating expenditure	691.9	745.2	7.2%

Other direct costs of providing telecommunications services and goods decreased by $32.4 million in the current reporting period compared to 2005. The overall decrease reflects savings of $74.9 million in the CDMA business and incremental costs in the 3G business of $42.5 million to support the growing customer base.

Included in running operating expenditure for the twelve months to 31 December is a net subsidy of $119.3 million for both acquisition and retention activity, which is a 12.3% reduction from the $136.0 million reported in the prior year corresponding period. Specifically in the 3G business the net handset subsidy was $115.9 million in 2006 compared to $134.3 million in 2005.CAC for each new 3G customer in 2006 was $274, down from $402 in 2005, largely a function of reduction in handset subsidies for contracted customers.

Employee benefits expense incurred in the reporting period were $8.7 million higher than reported in 2005 due to an increase in headcount of 8%, combined with the effects of a tightening labour market. The majority of the increase in headcount related to key functions in customer support roles. Employment costs relating to the CDMA business decreased by $9.1 million in the current period compared to the same period last year.

Expenditure on advertising and promotions decreased by $14.0 million in the current reporting period compared to the previous corresponding reporting period. The majority of the cost reduction was attributable to the CDMA business with costs being $12.5 million less than the previous year.

Other operating expenditure includes travel and accommodation, consulting and professional fees, bad debt, ACMA and USO levies, general repairs and maintenance, and office expenses. Total other operating expenditure was $19.4 million lower than the corresponding year, $16.8 million of which is due to savings in the CDMA business.

Other income of $2.0 million relates to net gains on foreign currency exchange and compares with $17.6 million in the twelve months period to 31 December 2005 of which $17.1 million related to the net gain on sale of the radio network infrastructure to Telstra.

Also included in running operating expenditure of $691.9 million is $3.0 million of interest and rental income and $0.7 million relating to the share of net profits of the joint venture partnership with Telstra accounted for using the equity method.

3G depreciation and amortisation of $209.9 million is $28.7 million higher for the reporting period compared with the twelve months to 31 December 2005.

2G depreciation and amortisation includes the accelerated depreciation required to write down all CDMA related fixed assets to zero at 30 June, and the normal amortisation charge applied to the Company's 850MHz spectrum licence.

Finance costs increased by $37.7 million this reporting period compared to the corresponding year, to $264.8 million. Net debt, after deducting cash and cash equivalents, at 31 December was $3,573.8 million compared to $2,995.8 million at 31 December 2005.

In the twelve months ended 31 December 2005, there was a credit of $105.5 million in the income statement in respect of minority interest. This had the effect of improving the reported NPAT loss in that period. In the current reporting period, there is no similar benefit to the income statement as the contribution from the minority shareholder in the 3G business has been fully utilised in prior periods.

Outlook

The 3G market continues to grow while the 2G market continues to decline. Since late 2005 when competitors first launched their 3G services, the marketing of 3G to customers and awareness of 3G has grown. With that growth has come the decline in focus on 2G – and our competitors' increased need to migrate customers from their less efficient 2G networks to their 3G networks. The last quarter of 2006 and early 2007 saw further endorsement for 3G with the launch of one 3G network and the announcement of plans for another. All competitors are heralding the continued demise of 2G.

For **3**, aside from continuing to benefit from growing market awareness of the value of 3G and churn risk for our competitors as they attempt to migrate their customers, we will also be leveraging further developments in our own technology. From a network perspective, 2007 sees the upgrade of the network to HSDPA – which will initially deliver average customer data download speeds between 600kbps and 1.5Mbps, followed by upgrades to the network to increase the download speeds to 14 Mbps by the end of 2007.

Network enhancements are continuing as the Company completes its agreed infill programme with its radio access network partner Telstra. With the upgrade of HSDPA to enable theoretical downlink speeds of 14 Mbps, the non-voice product offering expanding and capacity extending as subscriber numbers and usage grows, CAPEX is anticipated to be at similar levels to 2006.

While the financial focus for the Company in 2006 was about reaching a positive EBITDA position, the next milestone is to break through to be EBIT positive. Growth in margin combined with the continued control of operating costs will be the priority. Acquisition costs and, retention costs are (as we approach year 5 of the **3** business) two of the significant cost inputs that have the attention of the management team.

At the Annual General Meeting, held in May 2006 the Company provided an update to its guidance on peak funding for the 3G operations. There has been a significant effort put towards reviewing the optimal level of debt to equity and the Company's expectation is to announce plans to improve this position during 2007. The latest expectation is that peak funding will be marginally higher.

Hutchison Telecommunications (Australia) Limited

Consolidated Income Statement

For the year ended 31 December 2006

	2006 $'000	2005 $'000
Revenue from continuing operations	**1,058,734**	915,909
Cost of interconnection and variable content costs	**(221,016)**	(193,068)
Other direct costs of provision of telecommunication services and goods	**(334,082)**	(366,520)
Cost of handsets sold	**(250,100)**	(285,136)
Employee benefits expense	**(111,338)**	(102,588)
Advertising and promotion expenses	**(55,277)**	(69,295)
Other operating expenses	**(77,559)**	(97,016)
Other income	**1,971**	17,601
Share of net profits of joint venture partnership accounted for using the equity method	**670**	-
CDMA network closure costs	**(307,926)**	-
Capitalisation of customer acquisition and retention costs	**18,242**	14,511
Depreciation expense	**(129,818)**	(151,189)
Amortisation expense	**(87,088)**	(108,943)
Finance costs	**(264,836)**	(227,109)
Loss before income tax	**(759,423)**	(652,843)
Income tax expense	**-**	-
Loss for the year	**(759,423)**	(652,843)
Net loss attributable to minority interest	**-**	105,548
Net loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited	**(759,423)**	(547,295)

The above income statement should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited

Consolidated Balance Sheet

For the year ended 31 December 2006

	2006 $'000	2005 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**23,593**	120,450
Receivables	**207,322**	175,251
Inventories	**64,593**	68,950
Other	**20,948**	21,843
Total Current Assets	**316,456**	386,494
Non-Current Assets		
Receivables	**103,843**	49,840
Investment accounted for using the equity method	**670**	-
Other financial assets	**-**	-
Property, plant and equipment	**946,114**	1,055,948
Intangible assets	**706,020**	816,563
Other	**3,565**	3,934
Total Non-Current Assets	**1,760,212**	1,926,285
Total Assets	**2,076,668**	2,312,779
LIABILITIES		
Current Liabilities		
Payables	**300,017**	257,433
Borrowings	**750,788**	427,577
Provisions	**1,072**	876
Derivative financial instruments	**311**	-
Other	**7,756**	8,787
Total Current Liabilities	**1,059,944**	694,673
Non-Current Liabilities		
Borrowings	**2,846,619**	2,688,661
Provisions	**1,504**	1,292
Total Non-Current Liabilities	**2,848,123**	2,689,953
Total Liabilities	**3,908,067**	3,384,626
Net Liabilities	**(1,831,399)**	(1,071,847)
EQUITY		
Contributed equity	**1,031,244**	1,031,244
Reserves	**56,724**	56,853
Accumulated losses	**(2,919,367)**	(2,159,944)
Parent entity interest	**(1,831,399)**	(1,071,847)
Minority interest	**-**	-
Total Equity	**(1,831,399)**	(1,071,847)

The above balance sheet should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	2006 $'000	2005 $'000
Total equity at the beginning of the financial year	**(1,071,847)**	(418,670)
Adjustments on adoption of AASB 132 and AASB 139, net of tax, to:		
Accumulated losses	**-**	(1,567)
Restated total equity at the beginning of the financial year	**(1,071,847)**	(420,237)
Changes in the fair value of cash flow hedges, net of tax	**(311)**	-
Net income recognised directly in equity	**(311)**	**-**
Loss for the year	**(759,423)**	(652,843)
Total recognised income and expense for the year	**(759,734)**	(652,843)
Transactions with equity holders in their capacity as equity holders:		
Employee share options	**182**	1,233
Total equity at the end of the financial year	**(1,831,399)**	(1,071,847)
Total recognised income and expense for the year is attributable to:		
Members of Hutchison Telecommunications (Australia) Limited	**(759,734)**	(548,573)
Minority interest	**-**	(105,837)
	(759,734)	(654,410)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 $'000	2005 $'000
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)	**1,142,310**	984,816
Payments to suppliers and employees (inclusive of GST)	**(1,324,144)**	(1,198,315)
	(181,834)	(213,499)
Interest received	**828**	6,272
Rental income	**520**	2,565
Finance costs paid	**(222,929)**	(222,244)
Net cash (outflows) from operating activities	**(403,415)**	(426,906)
Cash Flows from Investing Activities		
Proceeds from sale of radio access network infrastructure	**-**	424,603
Payments for property, plant and equipment	**(151,551)**	(195,985)
Proceeds from disposal of other non-current assets	**-**	31
Loans to subsidiaries	**-**	-
Repayment of loans to subsidiaries	**-**	-
Payments for intangible assets	**(18,242)**	(14,511)
Net cash (outflows) / inflows from investing activities	**(169,793)**	214,138
Cash Flows from Financing Activities		
Proceeds from borrowings	**904,412**	463,287
Repayment of borrowings	**(425,000)**	(200,000)
Repayment of finance lease	**(3,061)**	(2,769)
Net cash inflows from financing activities	**476,351**	260,518
Net (decrease) / increase in cash and cash equivalents	**(96,857)**	47,750
Cash and cash equivalents at 1 January	**120,450**	72,700
Cash and cash equivalents at 31 December	**23,593**	120,450

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

Hutchison Telecommunications (Australia) Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Hutchison Telecommunications (Australia) Limited as an individual entity and the consolidated entity consisting of Hutchison Telecommunications (Australia) Limited and its subsidiaries ("the Consolidated Entity").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure.*

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Going concern

At 31 December 2006, the Consolidated Entity had a deficiency of capital and reserves of $1,831,399,000 (31 December 2005: $1,071,847,000). 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 26 February 2007, 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
Convertible notes	600,176	600,176	-	July 2007	No *
Term facility	150,000	150,000		July 2007	Yes
Term facility	200,000	200,000	-	February 2008	Yes
Hutchison Communications (Australia) Pty Ltd	196,000	196,000	-	December 2008	Yes
Hutchison OMF Limited	1,300,000	480,812	819,188	December 2008	Yes
Hutchison OMF Limited	800,000	399,600	400,400	December 2008	Yes
Term facility	100,000	100,000	-	December 2008	Yes
Syndicated term facility	1,500,000	1,500,000	-	August 2009	Yes
Term facility	100,000	100,000	-	December 2010	Yes
Total	**4,946,176**	**3,726,588**	**1,219,588**		

* Hutchison Whampoa Limited (HWL) indirectly owns 99.65% of the convertible notes

The undrawn facilities of $1,219,588,000 as at 26 February 2007 exceed the Consolidated Entity's expected cash flow requirements for the 12 month period to 26 February 2008. On this basis, and on the facilities available, the Directors believe that not withstanding the shortfall in net assets it is appropriate to prepare the financial report on a going concern basis.

(b) 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 2006 and the results of all subsidiaries for the year then ended. Hutchison Telecommunications (Australia) Limited and its subsidiaries together are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer to note 1(f)).

The effects of all transactions between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in joint ventures are accounted for as set out in note 1(g).

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Consolidated Entity's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Hutchison Telecommunications (Australia) Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sale of handsets
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.

(ii) Telecommunication services
Revenue from telecommunication services is recognised when the service has been provided.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Hutchison Telecommunications (Australia) Limited and its wholly owned Australian subsidiaries have not implemented the tax consolidation legislation.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(g) Joint ventures

(i) Jointly controlled entity
The interest in a joint venture entity is accounted for using the equity method. Under this method the share of the profits or losses of the entity is recognised in the income statement, and the share of the movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture entity 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 entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(ii) Jointly controlled asset
The proportionate interests in the assets, liabilities and expenses of a jointly controlled asset have been incorporated in the financial statements under the appropriate headings.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

(k) 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.

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Consolidated Entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write off the depreciable amount of each item of property, plant and equipment over its expected useful life to the Consolidated Entity. Assets are depreciated from the date they are brought into commercial service, or in respect of internally constructed assets from the time the asset is completed and held ready for use. The expected useful lives are as follows:

Buildings	40 years
Computer equipment	4 to 10 years
Furniture, fittings and office equipment	4 to 7 years
Network equipment	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 - 20 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Leases

Leases of property, plant and equipment where the Consolidated Entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leased assets held at reporting date are being amortised over four years.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(p) Intangible assets

(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. All other costs directly attributable to the creation of an asset within the business are capitalised as development costs.

(ii) Customer acquisition and retention costs
The direct costs of establishing and renewing customer contracts, other than handset subsidies which are expensed when incurred, are recognised as an asset. The direct costs are amortised as other direct costs of provision of telecommunication services and goods over the lesser of the period during which the future economic benefits are expected to be obtained and the period of the contract. The direct costs include commissions paid for obtaining customer contracts and other directly attributable costs.

(iii) Transmission rights
The Consolidated Entity's right to use transmission capacity is measured at cost and amortised on a straight line basis over the term of the transmission lease.

(q) Payables

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

(r) Interest bearing liabilities

Fixed rate loans are initially recognised at fair value, net of transaction costs incurred. Floating rate loans are initially recognised at cost, net of transaction costs incurred. Fixed and floating rate loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the liability using the effective interest method.

Convertible notes are included as a liability and measured at amortised cost using the effective interest method. The liability is included in interest bearing liabilities until conversion or maturity of the notes. Interest is accrued based upon the effective interest rate and included in other creditors until paid semi-annually.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. 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.

(t) Provisions

Provision for decommissioning costs

A provision has been recognised for costs expected to be incurred on the expiration of the site leases and resulting decommissioning costs under the terms of lease obligations. The amount of the provision is the estimated cash flow expected to be required to fulfil the lease obligations discounted back to net present value.

(u) 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.

(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 a 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 plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Hutchison Telecommunications (Australia) Limited Executive Option Plan.

Share options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Hutchison Telecommunications (Australia) Limited Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(v) Retirement benefits

Retirement benefits are delivered under the Retail Employees Superannuation Trust (Acumen). This fund is a defined contribution fund and is based on employer and employee contributions made to the fund.

Contributions are recognised as an expense as they become payable.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) 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.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(y) Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the Directors’ report and financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2006. The group’s assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

Note 2. Earnings per share

	2006 Cents	2005 Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	**(111.91)**	(80.65)
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(111.91)**	(80.65)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	**(111.91)**	(80.65)
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(111.91)**	(80.65)

(c) Reconciliation of earnings used in calculating earnings per share

	2006 $'000	2005 $'000
Basic earnings per share		
Loss from continuing operations	**(759,423)**	(652,843)
Loss from continuing operations attributable to minority interests	**-**	105,548
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	**(759,423)**	(547,295)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	**(759,423)**	(547,295)

(d) Weighted average number of shares used as the denominator

	2006 Number	2005 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**678,625,429**	678,625,429
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**678,625,429**	678,625,429

Note 3. Segment information

Business Segments

The Consolidated Entity operated entirely within the telecommunications industry and is treated as one business segment.

Geographical Segment

The Consolidated Entity operated entirely within Australia.

Hutchison Telecommunications (Australia) Limited

Supplementary Appendix 4E information

Additional dividend/distribution information [2] *(Appendix 4E item 6)*

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2006 are as follows: N/A

Dividend/distribution reinvestment plans *(Appendix 4E item 7)*

N/A

Retained Earnings *(Appendix 4E item 8)*

	2006	2005
Accumulated losses at 1 January	**(2,159,944)**	(1,611,371)
Adjustment on adoption of AASB 132 and 139, net of tax	**-**	(1,278)
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	**(759,423)**	(547,295)
Accumulated losses at 31 December	**(2,919,367)**	(2,159,944)

NTA Backing *(Appendix 4E item 9)*

	2006	2005
Net tangible asset backing per ordinary share	($3.74)	($2.78)

Controlled entities acquired or disposed of *(Appendix 4E item 10)*

N/A.

Associates and Joint Venture entities *(Appendix 4E item 11)*

(a) Jointly Controlled Entity

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. The interest in 3GIS is accounted for in the consolidated financial statements using the equity method and is carried at cost.

Information relating to the jointly controlled entity is set-out below.

	2006 $'000	2005 $'000
Carrying amount of investment in the entity	**-**	**-**
Share of entity's assets and liabilities		
Current assets	**41,974**	**28,261**
Non-current assets	**76,896**	**27,517**
Total assets	**118,870**	**55,778**
Current liabilities	**(28,817)**	**(19,338)**
Non-current liabilities	**(89,383)**	**(36,440)**
Total liabilities	**(118,200)**	**(55,778)**
Net assets	**670**	**-**
Share of entity's revenue, expenses and results		
Revenues	**53,954**	**40,520**
Expenses	**(53,284)**	**(40,520)**
Profit before income tax	**670**	**-**
Share of entity's commitments		
Lease commitments	**150,569**	**134,985**
Capital commitments	**-**	**-**
	150,569	**134,985**
Contingent liabilities relating to the jointly controlled entity	**-**	**-**

(b) Jointly Controlled Asset

Under the same joint venture agreement described in note (a) above, the ownership of the 50% of the existing 3G radio access network infrastructure remains with a controlled entity, Hutchison 3G Australia Pty Limited. On this basis the network assets are proportionally consolidated in accordance with the accounting policy described in note 1 (g)(ii) under the following classifications:

	2006 $'000	2005 $'000
Non-current assets		
Plant and equipment - at net book value	**356,005**	355,136
Less: Accumulated depreciation	**(40,153)**	(20,062)
	315,852	335,074
Capital commitments	**718**	1,587

Foreign Accounting standards *(Appendix 4E item 13)*

For foreign entities only, details of the accounting standards used in compiling the report e.g. International Accounting Standards

N/A

Audit *(Appendix 4E items 15 - 17)*

This report is based on accounts which have been audited. The audit report, which is unqualified, will be made available with the Company's financial report.

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Media Release

Hutchison Reaches Full Year EBITDA Milestone

Strong Growth in 3

EBITDA positive result of $30.2 million
3 customer base increases 90.4% to 1.2 million
Service revenue for 3 up 76% to $849 million

Sydney, 27 February 2007: Hutchison Telecommunications (Australia) Limited (ASX:HTA) today announced results for the full year ended 31 December 2006, recording an EBITDA positive result of $30.2 million, a $195.8 million turnaround on 2005.

During another year when operating performance strengthened, the **3** customer base grew by 90.4% to 1.2 million customers. Total service revenue increased by 22% to $924.9 million, with a 76% increase in **3** service revenue to $849 million. **3**'s non-voice revenue more than doubled to $235.8 million.

Margin in **3** increased strongly from $28.7 million per month in 2005 to $53.3 million in 2006. Total margin per customer was steady during the period at $49 per customer per month, largely supported by non-voice services.

In 2006, in just seven months, Hutchison upgraded 287,000 customers to the 3G network and closed its 2G CDMA network, enabling the company to focus on one brand and one technology – **3**. The one off closure cost of $307.9 million impacted the company's reported net profit after tax (NPAT), resulting in a total loss of $759.4 million for the full year. Without this cost, the Company saw an underlying $95.8 million improvement from the loss in 2005, to $451.5 million in 2006.

"Reaching a positive EBITDA position in 2006 with a strong growth trajectory was a key milestone, and highlights the continued momentum of our business. The closure of our 2G network helped enable a step change in scale, greater operating efficiencies and, importantly, greater focus on **3**. That means attracting more customers and continuing to lead growth in 3G service innovation, usage and revenue," Chief Executive Officer, Nigel Dews said.

Non-voice ARPUs, excluding those for customers who upgraded from the closed 2G network, increased from $19 in 2005 to $20 in 2006, with more customers using non-voice services than ever. 83% of our total customer base accessed the Planet 3 portal each month, and 56% of customers generated billable content events each month, up from 53% in 2005.

Customers signed up to 930,000 monthly subscription services, up from 521,000 last year. In total, customers experienced 92.5 million content events in 2006, versus 49.4 million during 2005, up 87%.

Hutchison Telecommunications
(Australia) Limited
*A member of the Hutchison
Telecommunications Group*

Usage of content increased across most services. Popular content from **3** during 2006 included **3**'s 24/7 Cricket TV channel which included live Channel Nine coverage of the 3 Mobile Ashes Series. Live action from the Big Brother house, breaking news and sports reports, as well as music, games and tones also showed large increases.

While growing the **3** customer base to 1.2 million customers, customer acquisition costs fell significantly from $402 per customer in 2005 to $274 in 2006, driven by lower 3G handset prices and the global procurement leverage of the 3 Group. At the same time, running operating expenditure remained tight.

"As we begin 2007, **3** continues to lead the 3G market. With 3G market growth set to accelerate and as migration activity from 2G networks increases, we are well placed to attract more customers to **3** and continue to lead in 3G services, innovation and usage. New services from **3** in the mobile broadband space present very exciting opportunities and our network will continue to evolve, with HSDPA rollouts already complete in Sydney, Brisbane and Canberra and all other cities by the end of March 2007, with further upgrades already planned for later this year.

We will continue to focus on improving our financial performance in 2007 as we build more scale in the business, and expect to exit the year operating cash flow positive," Mr Dews added.

Financial and operating highlights include:

- 90.4% increase in **3** customer base
- 76% in **3** service revenue, total service revenue up 22% to $924.9 million
- $30.2 million positive EBITDA
- 109.6% increase of **3** non-voice revenue
- Average monthly margin for **3** increased from $28.7 million in 2005 to $53.3 million in 2006
- Non-voice ARPU in the **3** business increased from $19 to $20 (excluding those customers who upgraded to 3G from 2G)
- Completed migration of 287,000 2G customer base to **3** & closed the 2G network in 7 months

Non-voice service usage highlights include:

- 92.5 million content events were experienced during 2006, an increase of 87% from 2005
- 56% of all customers generated one or more billable content events
- Customers watched Cricket TV on **3** more than 1 million times
- News content usage was up from 8.9 million events in 2005 to 20.6 million events in 2006
- Customers looked inside the Big Brother house live more than 3.5 million times
- Over 900,000 World Cup events were experienced including live coverage from SBS and the official FIFA highlights

- Ends -

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