Hutchison Telecommunications (Australia) Limited
ASX Preliminary Final Report – 31 December 2005

Lodged with the ASX under Listing Rule 4.3A

This information should be read in conjunction with the 2005 Annual Report.

Contents

Hutchison Telecommunications (Australia) Limited
Year ended 31 December 2005
(Previous corresponding period:
Year ended 31 December 2004)

Results for Announcement to the Market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Up	18.5%	to	915,909
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Down	20.7%	to	(547,295)
Net loss for the period attributable to members *(Appendix 4E item 2.3)*	Down	20.7%	to	(547,295)

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 dividend *(Appendix 4E item 2.5)*	N/A

Hutchison Telecommunications (Australia) Limited
Preliminary Final Report - Year ended 31 December 2005

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 2005 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

Review of Financial and Operating Results

In the 12 months ended 31 December 2005, Hutchison continued to grow strongly which drove improved financial performance across the key reporting areas. Compared to the year ended 31 December 2004:

- Service revenue grew by $235.1 million or 45% to $758.2 million
- Average non-voice revenue per customer per month in the 3G business increased from $13 to $19
- Average margin contribution per customer per month across the entire customer base strengthened from $45 to $48
- EBITDA losses improved by $230.2 million reflecting both revenue growth and reduced operating costs

The financial results for the full year reflect the mandatory adoption of the new Australian equivalent of International Reporting Standards (A-IFRS) from 1 January 2005. The policy and financial impacts of adopting A-IFRS are set out in Note 4 to the consolidated financial statements.

Summary Financial Results [1]

$ million	2005	2004	Y/Y change
Service Revenue	**758.2**	523.1	45%
Reported EBITDA (loss)	**(180.1)**	(410.3)	56%
NPAT (loss)	**(547.3)**	(690.1)	21%
Capital Expenditure	**(207.1)**	(307.4)	33%

Service revenue for the 12 months ended 31 December grew by 45% to $758.2 million reflecting the continuing growth in the post-paid customer base and a strengthening contribution from non-voice services in the **3** branded 3G business. Year on year service revenue in the 3G business grew by 94% and non-voice revenue at $112.5 million was more than triple the corresponding period in 2004. Revenue from the **3 CDMA** branded (formerly branded Orange) 2G business grew marginally from $273.8 million to $275.3 million across the two reporting periods.

EBITDA and net loss position continued to improve through the second half of the year with an EBITDA loss of $57.5 million compared to the first half loss of $122.6 million. The full year EBITDA loss of $180.1 million is a 56% improvement on the full year EBITDA loss in 2004. This positive trend continues to reflect the top line revenue and margin growth combined with tight control over operating costs which are largely fixed in nature. In January this year, the company recorded a positive EBITDA position for the first time prior to the cost impact of internally upgrading 2G customers to the 3G network.

Capital expenditure (CAPEX), including contributions to the 3G network joint venture with Telstra, for the reporting period of $207.1 million was $100.3 million less than the same period last year. The reduction in CAPEX principally reflects a lower requirement for new site rollout. The 3G network footprint has solid breadth and depth with over 2,200 sites in service at the end of the year.

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[1] **Service Revenue** excludes revenue from sales of handsets, interest income and other income.
Reported EBITDA excludes depreciation and amortisation, and includes the immediate expense of all customer acquisition costs.
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.

Review of Operating Performance[2]

	2005	2004	Y/Y change
Customer base ('000)	**1,035**	839	23%
ARPU	**$67**	$70	(4%)
Margin	**$48**	$45	7%
Customer acquisition cost	**$355**	$337	5%

Customer number growth, post-paid mix continues to dominate
In 2005, Hutchison Telecommunications (Australia) Limited ("the Company") recorded 23% growth in its customer base to 1,035,000, of which 87% were post-paid customers. The 3G customer base which is the key driver behind the headline numbers grew by 241,000 (58%) in 2005 and ended the year at 654,000 (86% post-paid). The 2G customer base decreased by 45,000 (11%) in 2005 as a result of a strategic and deliberate pull back from the increasingly saturated post-paid 2G market, ending the year with 381,000 customers (88% post-paid). Post-paid 3G customers remain the focus of the Company's growth opportunity.

Delayed delivery of new handset models dampened anticipated 3G customer net growth, resulting in a slightly slower customer growth rate in the second half of 2005 compared with the first half. This trend reversed in the run up to Christmas when new handset launches and an increased awareness of 3G services resulted in strong sales growth. That growth has continued into the first quarter of 2006. Our view that 3G acceptance and momentum is growing in conjunction with the arrival of new handsets with a broader appeal is supported by our 2G customers' enthusiasm for 3G. Almost 100,000 customers have upgraded from our 2G network to our 3G service so far in 2006 taking the 3G customer base to 806,000 (87% post-paid). Whilst the pace of upgrade activity may slow, initial customer feedback regarding their 3G experience has been positive – and positive word of mouth is an important factor in new customer acquisition as well as customer retention and churn.

Overall monthly churn levels across both pre and post-paid customers at 2.5% in 2005 were at a similar level to 2004 of 2.4%. Churn in the 2G business increased as expected following a pull back from active marketing to that base, however, 3G churn reduced from 3.0% in 2004 to 2.6% (2.1% for post-paid only) in the second half of 2005. The second half saw the launch of several new model handsets, including additions from

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[2] **Customer base** reflects active mobile services in operation at the end of the year and excludes Paging and Information Services.
Churn represents the average monthly churn of the total customer base, across both pre and post-paid for the period.
ARPU represents rolling 12 month average revenue per user, per month at the end of the period across pre and post-paid customers.
Non-Voice ARPU represents ARPU less outgoing and incoming voice ARPU.
Margin represents rolling 12 month average margin per customer, across pre and post-paid, per month at the end of the period. Margin represents service revenue less interconnect and variable content costs.
Customer acquisition cost represents the average direct costs, including commissions, promotional credits and handset subsidies associated with acquiring each new customer for the period.

Nokia, Sony Ericsson and LG. These new models, with their improved form factor and functionality, were attractive to customers on early model handsets, particularly 'First on 3' customers. These new model handsets played a key role in retention activities.

Content subscription is also emerging as a factor contributing to the increased satisfaction of our 3G customers. There is growing evidence within our 3G customer base that those customers that are active content users have a much lower propensity to churn than the average for the base. These early learnings will provide invaluable information that will assist us in achieving the maximum benefit of being first into the 3G market.

Non-voice ARPU rises, voice APRU reduces

In the reporting period, across both the 2G and 3G customer base, total ARPU softened slightly from $70 in 2004 to $67 in 2005, due to a reduction in voice ARPU (from $63 in 2004 to $55 in 2005). This was partly attributable to the reduction in mobile interconnect rates which has minimal impact on margin as a result of the corresponding decrease in mobile interconnect costs. Additionally, a broadening of the 3G customer base into lower minimum spend post-paid plans and into pre-paid services had an impact on the drop in voice ARPU.

ARPU contribution from non-voice services including messaging, multimedia content and high-speed data access grew strongly from $7 in 2004 to $12 in 2005. Specifically in the 3G business, non-voice ARPU grew from $13 per customer per month in 2004 to $19 in 2005, representing 24% of the total ARPU from 3G customers. Revenue from SMS of $11 still currently underpins the total non-voice ARPU of the 3G customers but other non-voice services, including content services, video-calling and high-speed data access, contributed an industry leading $8 per month in 2005, compared to $5 in 2004.

The Company's strategy to leverage the capabilities of a W-CDMA 3G network is on track. Customers' views of **3**'s non-voice services, combined with their patterns of use, continue to be encouraging. Usage of **3**'s content and messaging services has grown significantly - a good indication of customer acceptance and future revenue potential.

3 has invested in delivering new content services to the customer base in 2005, and focused on key areas which generated the most interest and demand from customers - Mobile TV, music and photography. In 2005, customers accessed live TV from Big Brother, CNN and Sky Racing, watched streamed channels including the Cartoon Network, ABC Kids and Rage, and downloaded thousands of full length audio and video music tracks.

Customers also took advantage of being able to watch the world's first live broadcast to a mobile phone of the cricket when **3** showed Channel 9's coverage of the Johnnie Walker Super Series. Customers continued to enjoy that coverage with the rest of the **3** Test series, with over 260,000 live streams accessed. 2006 will prove even more successful as the Ashes come to Australia, with customers being able to watch all of the action live on their **3** mobile.

Understanding what content works for our customers, and how they prefer to pay for it, has been important in changing customer behaviour as well as growing non-voice revenue.

In December, approximately 70% of the 3G customer base accessed the content portal (named Planet **3**) and 53% had a chargeable content event. As content depth and breadth continue to strengthen, and packaging of non-voice services is further improved, there is an exciting opportunity for further revenue growth in this area.

The success of non-voice services in the 3G business has supported the Company in continuing to lead the market in selling the highly popular capped plans with very competitive tariffing and handset pricing. This has resulted in voice usage continuing to be strong although average minutes of use per customer per month, across the entire customer base, has decreased to 180 in 2005 from 224 in 2004 as the mix of lower minimum spend post-paid plans and pre-paid services rises. The Company will continue to encourage high mobile voice usage and substitution of fixed line calling by leveraging W-CDMA network efficiencies that allow for the delivery of voice services at significantly lower costs than second-generation (2G) mobile technologies.

Margin improvement, CAC increases with changing customer mix
In the reporting period, the Company recorded an improvement in margin (representing service revenue less interconnect and variable content costs) and the percentage margin increased from 67% to 75%. The 2005 margin per customer per month of $48 compares to $45 achieved in 2004, supported by an improved mix of customers on the 3G network delivering a higher margin contribution than their 2G counterparts.

Blended acquisition cost per customer increased by $18 (5%) year on year but fell from $389 to $321 from the first half to the second half of the year. The year on year increase was due to a higher mix of 3G sales, compared to 2G sales which have a lower acquisition cost commensurate with a lower margin. Acquisition costs for 3G customers in the second half of 2005 fell to $377 versus $427 in the first half, mainly as a result of falling handset buy prices. This compares to $416 in 2004.

By the end of 2005**,** 3G services were being sold through 79 Company-operated shops and over 690 additional selling points of presence, including dealer and other sales channels. In Sydney and Melbourne, 2G products were sold through a similar distribution network to the 3G services.

Australia's largest 3G network – expanded coverage, improved performance
As at 31 December, the Company maintained its position of having the largest Australian 3G network with over 2,200 network sites in operation. Coverage expansion during the year to strengthen existing areas and bring 3G to new areas – such as Canberra, Campbelltown and Werribee - together with enhancements in software and network optimisation improvements delivered a solid network performance. In 2006, the Company, together with Telstra, will continue to implement network deployment plans to further enhance capacity, functionality and coverage.

The implementation in 2005 of a new national roaming agreement with Telstra for access to most of their GSM/GPRS network was executed well, and the Company now benefits from lower roaming pricing as well as broader coverage.

Review of Financial Performance [3]

Summary Income Statement $ million	**Full Year**		
	2005	**2004**	**Y/Y change**
Service revenue	**758.2**	523.1	45%
Interconnect cost	**(193.1)**	(171.1)	-13%
Margin	**565.1**	352.0	61%
Margin %	**75%**	67%	12%
Running operating expenditure	**(745.2)**	(762.3)	2%
Reported EBITDA (loss)	**(180.1)**	(410.3)	56%
Capitalisation of acquisition cost	**14.5**	34.5	-58%
Accounting EBITDA (loss)	**(165.6)**	(375.8)	56%
Depreciation & Amortisation	**(260.1)**	(276.2)	6%
EBIT (loss)	**(425.7)**	(652.0)	35%
Finance cost	**(227.1)**	(174.9)	-30%
Loss before tax	**(652.8)**	(826.9)	21%
Tax	**0.0**	(0.1)	100%
Loss after tax	**(652.8)**	(827.0)	21%
Minority interest	**105.5**	136.9	-23%
NPAT (loss)	**(547.3)**	(690.1)	21%

Total service revenue increases, 3G service revenue up 94%

Total service revenue, including voice and non-voice service revenue, for the 12 months ended 31 December was $758.2 million, representing an increase of 45% compared to

[3] **Interconnect cost** includes fixed line and mobile interconnect plus variable content costs.
Running operating expenditure is net of equipment revenue and other income and before capitalisation of direct acquisition cost.

the corresponding 12 month period in 2004. Interconnect revenue of $191.8 million (2004 $151.7 million) is included in total service revenue.

Service revenue in the 3G business, which now contributes the majority of the Company's revenue stream, rose by 94% from $249.3 million in 2004 to $482.9 million in 2005. Strong revenue growth was supported by a growing and significant contribution from non-voice services of $112.5 million, more than triple the corresponding period in 2004.

Service revenue in the 2G business of $275.3 million was 1% higher than the previous corresponding period. Non-voice service revenue in the 2G business was $15.9 million ($12.9 million in 2004).

Improving cost structure
Interconnection and variable content costs increased from $171.1 million in 2004 to $193.1 million in 2005, reflecting the increased non-voice usage from a growing customer base. Despite increased traffic levels, voice interconnection costs decreased by 7% year on year due to lower mobile interconnect rates. Significantly, overall growth in interconnect and variable content costs of 13% was much slower than the increase in service revenue of 45%, resulting in a positive margin improvement, which has been a major contributor to the improved EBITDA loss.

Despite an increasing customer base, overall running operating expenditure reduced by 2% from $762.3 million in 2004 to $745.2 million in 2005 reflecting improved efficiencies and effectiveness and the drive towards an industry leading cost structure while still maintaining a positive user experience. An analysis of the key components of running operating expenditure is as follows:

> Other direct costs of providing telecommunications goods and services declined by $68.1 million from $434.6 million in 2004 to $366.5 million in 2005. The decline is principally attributable to full year effect of lower network operating costs resulting from the network sharing agreement with Telstra signed in December 2004.
>
> Cost of handsets sold for the 12 months to 31 December of $285.1 million ($356.7 million in 2004) compared to handset revenue of $149.1 million ($244.8 million in 2004). Handset subsidy forms a significant component of customer acquisition cost. Although customer acquisition costs increased by 5% year on year, increasing access to lower priced but higher specification handsets will assist in lowering these costs in 2006.
>
> Employment costs expensed in the reporting period were $102.6 million compared with $105.1 million in the prior year. At the end of 2005, headcount supporting the business was stable at 1,253 compared to 1,348 at the end of 2004.
>
> Despite a strong advertising presence and the launch of several new marketing campaigns during 2005, more effective marketing execution resulted in expenditure on advertising and promotions decreasing by $18.5 million from $87.8 million in the 12 months ended 31 December 2004 to $69.3 million in the current reporting period. The strategic pull

back from the 2G post-paid market also facilitated a lower expense in this area.

Other operating expenditure includes office rental and other office expenses, credit and collection expenses, ACMA and USO levies, consultancy and professional fees and travel. Total other operating expenditure of $97.0 million was $15.2 million higher than the previous reporting period, principally due to the increased customer and revenue bases.

Other income fell from $53.8 million to $17.6 million between the two reporting periods. Higher other income in 2004 was due to the initial profit on the sale to Telstra of half the 3G UTRAN assets. A further gain of $17.1 million has been recognised in 2005 upon completion and handover of the remaining sites under the contractual commitment with Telstra.

Also included in running operating expenditure of $745.2 million is $8.6 million ($5.1 million in 2004) of interest and rental income.

Improving EBITDA

The Company recorded an EBITDA loss of $180.1 million compared to the previous year's EBITDA loss of $410.3 million. The EBITDA loss improved from $122.6 million in the first half to $57.5 million in the second half. Significantly, the year on year improvement in EBITDA of $230.2 million was consistent with the improvement in service revenue. This reflects the fixed cost nature of the business ensuring that a high proportion of incremental revenue growth flows to EBITDA. As a result, the 3G business is well placed to compete aggressively in 2006 as the other 3G market entrants contemplate the aggressiveness of their 3G start-up losses and begin to position their 3G offers.

With lower investment in 2G sales activity, the Company's 2G operation reported a positive EBITDA of $54.9 million, representing a significant improvement over last year's EBITDA loss of $2.3 million.

As a result of the network share agreement signed with Telstra in December 2004, depreciation fell to $151.2 million for the reporting period from $175.3 million in 2004. The lower depreciation charges for 2005 was partially offset by increased depreciation on CAPEX spend during the year. Amortisation expense of $108.9 million, including amortisation of spectrum licences, was $8.0 million higher than the corresponding reporting period in 2004 mainly due to increased amortisation of capitalised customer acquisition cost.

The EBIT loss of $425.7 million compares to $652.0 million in 2004. The improved loss position reflects reduced EBITDA losses and lower depreciation.

Consolidated borrowing costs of $227.1 million increased from $174.8 million in the corresponding full year, reflecting the higher level of borrowing required to fund the 3G network rollout and 3G customer growth. Net cash outflow before financing activity in 2005 of $212.8 million was significantly improved compared to the net cash outflow of $1,015.2 million in 2004 as a result of reduced operating losses and lower CAPEX. 2005 cash flow also includes $424.6 million of sale proceeds received in connection with the 3G network share arrangement with Telstra.

2G brand change

On 1 February 2006 the Company announced it has joined its mobile services, Orange and **3**, under the single brand **3**, and plans to upgrade Orange customers from its CDMA network to its 3G network.

Exclusive upgrade options will be offered to all existing Orange customers, including attractive plans and a subsidised handset, and, as a result, we anticipate a significant number of customers will be migrated to **3** in 2006. During 2006, following a review of the success and rate of migration, the Directors will further consider whether the Company should continue to operate the CDMA network.

The timetable for closure of the CDMA network is still not determined. One impact of a decision to close the network will be to amend the useful life of the network assets from three years to the expected closure date which could have a material increase in the depreciation and amortisation charge for the Company. An estimate of the amount of the increased charge cannot currently be made, as this is dependent on the outcome of the Directors' review and the closure date.

Review of Capital Expenditure

Total payments on CAPEX for the Company's businesses in the 12 months to 31 December were $207.1 million compared with $307.4 million in the prior year.

CAPEX in the 3G business totalled $194.7 million for site deployment, network, IT systems and product development. CAPEX in 2005 was less than Company expectations as some expenditure was deferred into 2006. The Company expects CAPEX to track at a similar level in 2006, including some rollover of CAPEX from 2005 into 2006. Longer term CAPEX requirements are still expected to run at lower levels than prior years.

Total CAPEX for the 2G business was restricted to $12.4 million.

Funding

As at 31 December, the Company had $78.0 million of cash invested in short term deposits and cash at bank of $42.5 million. Borrowings consisted of a $424.6 million medium term note issue, $596.5 million of convertible notes, $196.0 million borrowed from the parent company and $1,892.5 million from other facilities provided by leading local and international financial institutions.

At 7 March 2006, the Company has undrawn long-term facilities of $934.0 million, which are more than sufficient to meet expected funding requirements for the next 12 months.

Outlook

The Company commenced 2006 in a unique and exciting position. Usage of non-voice services has continued to grow and customer acceptance of 3G technology and services is approaching mass market take-up. 3G handset range, price point and feature set have demonstrably improved to a level that starts to question re-investment in a 2G handset for more and more mobile users, driving our strategy to focus on our 3G network. The launch on 1 February this year of the first mainstream 3G Nokia handset at an affordable price point for a more mass market take-up is a significant step forward in a handset sensitive market.

From a cost perspective, overall running operating expenditure will again be tightly managed and, excluding the cost of upgrading our 2G customers to our 3G network, another year of minimal cost growth is an achievable target. Handset buy prices - a key component of any mobile operator's cost base - will continue to fall and we will continue to benefit from the global scale of the Hutchison Whampoa 3G Group.

In 2006, we anticipate the start of a more rapid migration of 2G customers to 3G networks, particularly the higher spend customers. This inflexion point presents two key opportunities for Hutchison. Firstly, if a significant proportion of our 2G customer base has upgraded to 3G, a further rationalisation and improvement in our cost structure becomes possible with the removal of duplicate 2G infrastructure and the associated costs. Second, as 2G customers of other operators look around to see who is best placed to provide compelling and attractive 3G services, we believe the **3** brand will be the most desirable in the 3G market.

Building scale remains a key focus in 2006 as the business heads towards further revenue growth and continued delivery of improved underlying financial performance.

Hutchison Telecommunications (Australia) Limited
Consolidated Income Statement
For the year ended 31 December 2005

	2005 $'000	2004 $'000
Revenue from continuing operations	**915,909**	772,997
Cost of interconnection and variable content costs	**(193,068)**	(171,072)
Other direct costs of provision of telecommunication services and goods	**(366,520)**	(434,612)
Cost of handsets sold	**(285,136)**	(356,711)
Employment costs	**(102,588)**	(105,124)
Advertising and promotion expenses	**(69,295)**	(87,758)
Other operating expenses	**(97,016)**	(81,774)
Other income	**17,601**	53,762
Capitalisation of customer acquisition costs	**14,511**	34,483
Depreciation expense	**(151,189)**	(175,307)
Amortisation expense	**(108,943)**	(100,918)
Finance costs - net	**(227,109)**	(174,829)
Loss before income tax	**(652,843)**	(826,863)
Income tax expense	**-**	(75)
Loss for the year	**(652,843)**	(826,938)
Net loss attributable to minority interest	**105,548**	136,859
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited	**(547,295)**	(690,079)

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 2005

	2005 $'000	**2004 $'000**
ASSETS		
Current Assets		
Cash and cash equivalents	**120,450**	72,700
Receivables	**175,251**	477,790
Inventories	**68,950**	108,530
Other	**21,843**	58,996
Total Current Assets	**386,494**	718,016
Non-Current Assets		
Receivables	**49,840**	124,436
Investment accounted for using the equity method	**-**	-
Other financial assets	**-**	-
Property, plant and equipment	**1,055,948**	999,730
Intangible assets	**816,563**	872,201
Other	**3,934**	40,034
Total Non-Current Assets	**1,926,285**	2,036,401
Total Assets	**2,312,779**	2,754,417
LIABILITIES		
Current Liabilities		
Payables	**257,433**	301,302
Interest bearing liabilities	**427,577**	202,731
Provisions	**876**	1,369
Other	**8,787**	6,399
Total Current Liabilities	**694,673**	511,801
Non-Current Liabilities		
Interest bearing liabilities	**2,688,661**	2,660,487
Provisions	**1,292**	799
Total Non-Current Liabilities	**2,689,953**	2,661,286
Total Liabilities	**3,384,626**	3,173,087
Net (Liabilities) / Assets	**(1,071,847)**	(418,670)
EQUITY		
Contributed equity	**1,031,244**	1,031,244
Reserves	**56,853**	55,620
Accumulated losses	**(2,159,944)**	(1,611,371)
Parent entity interest	**(1,071,847)**	(524,507)
Minority interest	**-**	105,837
Total Equity	**(1,071,847)**	(418,670)

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 2005

	2005	2004
	$'000	$'000
Total equity at the beginning of the financial year	**(418,670)**	407,535
Adjustments on adoption of AASB 132 and AASB 139	**(1,567)**	-
Net income recognised directly in equity	**(1,567)**	-
Loss for the year	**(652,843)**	(826,938)
Total recognised income and expense for the year	**(654,410)**	(826,938)
Transactions with equity holders in their capacity as equity holders	**-**	-
Employee share options	**1,233**	733
Total equity at the end of the financial year	**(1,071,847)**	(418,670)
Total recognised income and expense for the year is attributable to:		
Members of Hutchison Telecommunications (Australia) Limited	**(548,573)**	(690,079)
Minority interest	**(105,837)**	(136,859)
	(654,410)	(826,938)

Hutchison Telecommunications (Australia) Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2005

	2005 $'000	2004 $'000
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)	**984,816**	721,140
Payments to suppliers and employees (inclusive of GST)	**(1,198,315)**	(1,265,984)
	(213,499)	(544,844)
Interest received	**6,272**	2,915
Rental income	**2,565**	2,034
Finance costs paid	**(222,244)**	(156,749)
Net cash (outflow) from operating activities	**(426,906)**	(696,644)
Cash Flows from Investing Activities		
Proceeds from sale of radio access network infrastructure	**424,603**	22,500
Payments for property, plant and equipment	**(195,985)**	(307,447)
Proceeds from disposal of other non-current assets	**31**	891
Payments for intangible assets	**(14,511)**	(34,483)
Net cash inflow / (outflow) from investing activities	**214,138**	(318,539)
Cash Flows from Financing Activities		
Proceeds from interest bearing liabilities	**463,287**	1,435,832
Repayment of interest bearing liabilities	**(200,000)**	(388,000)
Repayment of finance lease	**(2,769)**	(2,731)
Net cash inflow from financing activities	**260,518**	1,045,101
Net Increase in cash and cash equivalents	**47,750**	29,918
Cash and cash equivalents at 1 January	**72,700**	42,782
Cash and cash equivalents at 31 December	**120,450**	72,700

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 2005

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 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).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Hutchison Telecommunications (Australia) Limited financial statements to be prepared in accordance with AIFRS. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Hutchison Telecommunications (Australia) Limited, until 31 December 2004, had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Hutchison Telecommunications (Australia) Limited 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The Consolidated Entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Consolidated Entity's equity and its net income are given in note 4.

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 2005, the Consolidated Entity had a deficiency of capital and reserves of $1,071,847,000 (31 December 2004: $418,670,000). 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 7 March 2006, 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
Fixed Medium Term Notes	425,000	425,000	-	November 2006	Yes
Convertible Notes	600,176	600,176	-	July 2007	No *
Hutchison Communications (Australia) Pty Ltd	196,000	196,000	-	December 2007	Yes
Hutchison OMF Limited	1,000,000	66,000	934,000	December 2007	Yes
Term Facility	200,000	200,000	-	February 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	**4,121,176**	**3,187,176**	**934,000**		

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

The undrawn facilities of $934,000,000 as at 7 March 2006 exceed the Consolidated Entity's expected cash flow requirements for the 12 month period to 7 March 2007. Under existing agreements between Hutchison Telecommunications (Australia) Limited, Hutchison Whampoa Ltd ("HWL") and Telecom Corporation of New Zealand ("TCNZ"), HWL committed to ensuring that the Company has access to funding up until 31 December 2007. 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 2005 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) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets. 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 joint controlled asset have been incorporated in the financial statements under the appropriate headings.

(h) Impairment of assets

Assets that are subject to amortisation 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 flows (cash generating units).

It is the Consolidated Entity's policy to treat our Australian telecommunications network as a single cash generating unit. We consider that, in generating cash inflows, the delivery of our mobile products and services is dependent on one common core network, one support system, one network operation team and one management team.

(i) Cash and cash equivalents

Cash and cash equivalents includes 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 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

From 1 January 2004 to 31 December 2004
The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Consolidated Entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 31 December 2004.

Adjustments on transition date: 1 January 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 January 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 January 2005
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 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.

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 costs
The direct costs of establishing 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

From 1 January 2004 to 31 December 2004
The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Consolidated Entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 31 December 2004.

Adjustments on transition date: 1 January 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that interest bearing liabilities are measured at amortised cost using the effective interest method. At the date of transition (1 January 2005) changes to carrying amounts are taken to retained earnings.

From 1 January 2005
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) 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 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) Share-based payments
Share-based compensation benefits are provided to employees via the Hutchison Telecommunications (Australia) Limited Executive Option Plan.

Shares 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.

Shares 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.

(u) 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.

(v) 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.

(w) 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.

Note 2. Earnings per share

	2005 Cents	2004 Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)

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

	Consolidated 2005 $'000	2004 $'000
Basic earnings per share		
Loss from continuing operations	**(652,843)**	(826,938)
Loss from continuing operations attributable to minority interests	**105,548**	136,859
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	**(547,295)**	(690,079)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	**(547,295)**	(690,079)

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

	Consolidated 2005 Number	2004 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.

This is a change in policy from prior year where Orange and 3 were treated as separate business segments. The change in policy is due to the Company's decision to join its mobile services, Orange and 3, under the single brand 3, and plans to upgrade CDMA customers from its CDMA network to its 3G network. We view the risks and returns of the business to now be the same. This policy is consistent with note 1(h) where we consider that the delivery of our mobile products and services is dependent on one common core network, one support system, one network operation team and one management team.

Comparative information has been restated as one business segment.

Geographical Segment

The Consolidated Entity operated entirely within Australia.

Note 4. Explanation of transition to Australian equivalents to IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 January 2004

	Notes	**Previous AGAAP**	Effect of transition to AIFRS	**AIFRS**
		$'000	$'000	**$'000**
Current Assets				
Cash and cash equivalents		**42,782**	-	**42,782**
Receivables	4(a)(i)	**97,867**	(12,469)	**85,398**
Inventories		**27,304**	-	**27,304**
Other	4(b)(i)	**63,350**	1,210	**64,560**
Total Current Assets		**231,303**	(11,259)	**220,044**
Non-Current Assets				
Receivables	4(a)(i)	**16,992**	(5,344)	**11,648**
Investment accounted for using the equity method		**-**	-	**-**
Other financial assets		**-**	-	**-**
Property, plant and equipment	4(b)(i)	**1,151,512**	29,591	**1,181,103**
Intangible assets	4(a)(i), 4(b)(i)	**1,014,843**	(76,207)	**938,636**
Other		**43,466**	-	**43,466**
Total Non-Current Assets		**2,226,813**	(51,960)	**2,174,853**
Total Assets		**2,458,116**	(63,219)	**2,394,897**
Current Liabilities				
Payables		**167,040**	-	**167,040**
Interest bearing liabilities		**590,731**	-	**590,731**
Provisions		**602**	-	**602**
Other		**1,023**	-	**1,023**
Total Current Liabilities		**759,396**	-	**759,396**
Non-Current Liabilities				
Interest bearing liabilities		**1,227,386**	-	**1,227,386**
Provisions		**580**	-	**580**
Total Non-Current Liabilities		**1,227,966**	-	**1,227,966**
Total Liabilities		**1,987,362**	-	**1,987,362**
Net Assets		**470,754**	(63,219)	**407,535**
Equity				
Parent entity interest				
Contributed equity		**1,031,244**	-	**1,031,244**
Reserves		**54,887**	-	**54,887**
Accumulated losses	4(a)(i)	**(865,926)**	(55,366)	**(921,292)**
Total parent entity interest		**220,205**	(55,366)	**164,839**
Minority interest	4(a)(i)	**250,549**	(7,853)	**242,696**
Total Equity		**470,754**	(63,219)	**407,535**

Note 4. Explanation of transition to Australian equivalents to IFRS (continued)

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004

	Notes	**Previous AGAAP**	Effect of transition to AIFRS	**AIFRS**
		$'000	$'000	**$'000**
Current Assets				
Cash and cash equivalents		**72,700**	-	**72,700**
Receivables	4(a)(ii)	**504,670**	(26,880)	**477,790**
Inventories		**108,530**	-	**108,530**
Other	4(b)(ii)	**46,293**	12,703	**58,996**
Total Current Assets		**732,193**	(14,177)	**718,016**
Non-Current Assets				
Receivables	4(a)(ii)	**135,956**	(11,520)	**124,436**
Investment accounted for using the equity method		**-**	-	**-**
Other financial assets		**-**	-	**-**
Property, plant and equipment	4(b)(ii)	**973,840**	25,890	**999,730**
Intangible assets	4(a)(ii), 4(b)(ii)	**1,098,276**	(226,075)	**872,201**
Other		**40,034**	-	**40,034**
Total Non-Current Assets		**2,248,106**	(211,705)	**2,036,401**
Total Assets		**2,980,299**	(225,882)	**2,754,417**
Current Liabilities				
Payables		**301,302**	-	**301,302**
Interest bearing liabilities		**202,731**	-	**202,731**
Provisions		**1,369**	-	**1,369**
Other		**6,399**	-	**6,399**
Total Current Liabilities		**511,801**	-	**511,801**
Non-Current Liabilities				
Interest bearing liabilities		**2,660,487**	-	**2,660,487**
Provisions		**799**	-	**799**
Total Non-Current Liabilities		**2,661,286**	-	**2,661,286**
Total Liabilities		**3,173,087**	-	**3,173,087**
Net Liabilities		**(192,788)**	(225,882)	**(418,670)**
Equity				
Parent entity interest				
Contributed equity		**1,031,244**	-	**1,031,244**
Reserves	4(c)(i)	**54,887**	733	**55,620**
Accumulated losses	4(a)(ii), 4(c)(i)	**(1,417,911)**	(193,460)	**(1,611,371)**
Total parent entity interest		**(331,780)**	(192,727)	**(524,507)**
Minority interest	4(a)(ii)	**138,992**	(33,155)	**105,837**
Total Equity		**(192,788)**	(225,882)	**(418,670)**

Note 4. Explanation of transition to Australian equivalents to IFRS (continued)

(2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS) for the year ended 31 December 2004

	Notes	**Previous AGAAP $'000**	Effect of transition to AIFRS $'000	**AIFRS $'000**
Revenue from continuing operations	4(d)(i), 4(e)(i)	**1,173,293**	(400,296)	**772,997**
Cost of interconnection and variable content costs		**(171,072)**	-	**(171,072)**
Other direct costs of provision of telecommunication services and goods	4(a)(iii)	**(414,024)**	(20,588)	**(434,612)**
Cost of handsets sold		**(356,711)**	-	**(356,711)**
Employment costs	4(c)(ii)	**(104,391)**	(733)	**(105,124)**
Advertising and promotion expenses		**(87,758)**	-	**(87,758)**
Other operating expenses	4(d)(i)	**(97,775)**	16,001	**(81,774)**
Other income	4(d)(i), 4(e)(i)	**-**	53,762	**53,762**
Capitalisation of customer acquisition costs	4(a)(iii)	**216,819**	(182,336)	**34,483**
Depreciation expense	4(b)(iii)	**(171,606)**	(3,701)	**(175,307)**
Amortisation expense	4(a)(iii)	**(141,179)**	40,261	**(100,918)**
Borrowing costs	4(b)(iii)	**(178,530)**	3,701	**(174,829)**
Carrying value of radio access network infrastructure	4(d)(i)	**(330,533)**	330,533	**-**
Loss before income tax		**(663,467)**	(163,396)	**(826,863)**
Income tax		**(75)**	-	**(75)**
Loss after income tax		**(663,542)**	(163,396)	**(826,938)**
Net loss attributable to minority interest		**111,557**	25,302	**136,859**
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited		**(551,985)**	(138,094)	**(690,079)**

(3) Reconciliation of cash flow statement for the year ended 31 December 2004

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Customer acquisition costs

Under the Urgent Issues Group (UIG) Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*, the cost of telephones provided to customers do not meet the prescriptive definition of customer acquisition costs that must be capitalised. In addition, directly attributable customer 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 previous AGAAP and UIG Abstract 42 *Subscriber Acquisition Costs in the Telecommunications Industry*, the cost of telephones provided to customers was recognised as a customer acquisition cost and the amortisation of the customer acquisition cost asset was over the period during which the future economic benefits are expected to be obtained.

As a result of Interpretation 1042, the Company has changed its accounting policy. The subsidised portion of the handset will no longer be recognised as an asset and the amortisation of customer 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 effect of this is:

(i) At 1 January 2004
For the Consolidated Entity there has been a decrease in current receivables of $12,469,000, a decrease in non-current receivables of $5,344,000, a decrease of intangible assets of $45,407,000, a decrease in retained earnings of $55,366,000 and a decrease in minority interest of $7,853,000.

(ii) At 31 December 2004
For the Consolidated Entity there has been a decrease in current receivables of $26,880,000, a decrease in non-current receivables of $11,520,000, a decrease of intangible assets of $187,482,000, a decrease in retained earnings of $192,727,000 and a decrease in minority interest of $33,155,000.

(iii) For the year ended 31 December 2004
For the Consolidated Entity there has been an increase in other direct costs of provision of telecommunications services and goods of $20,588,000, a decrease in amortisation expense of $40,261,000 and a decrease in capitalisation of customer acquisition costs $182,336,000.

(b) Borrowing costs

The Company has elected to adopt the allowed alternative treatment of AASB 123 *Borrowing Costs*, and continue to expense borrowing costs 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 are capitalised as part of the cost of that asset. Previously, capitalised borrowing costs were treated separately as an intangible asset and amortised over the life of that asset. This has resulted in capitalised funding costs being allocated to specific qualifying assets and depreciated over the life of that asset. In addition, any pre-paid borrowing costs have been transferred to other current assets. The effect of this is:

(i) At 1 January 2004
For the Consolidated Entity there has been an increase in property, plant and equipment of $29,591,000, a decrease in intangible assets of $30,800,000 and an increase other current assets of $1,210,000.

(ii) At 31 December 2004
For the Consolidated Entity there has been an increase in property, plant and equipment of $25,890,000 a decrease in intangible assets of $38,593,000 and an increase in other current assets of $12,703,000.

(iii)For the year ended 31 December 2004
For the Consolidated Entity there has been a decrease in borrowing costs of $3,701,000 and a corresponding increase in depreciation expense.

(c) Share-based payments

Under AASB 2 *Share-based Payment* from 1 January 2004 the Consolidated Entity is required to recognise an expense for those options that were issued to employees under the Hutchison Telecommunications (Australia) Limited Executive Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 31 December 2004
For the Consolidated Entity there has been a decrease in retained earnings of $733,000 and a corresponding increase in reserves.

(ii) For the year ended 31 December 2004
For the Consolidated Entity there has been an increase in employee costs of $733,000.

(d) Property, plant and equipment

Under AASB 116 *Property, Plant and Equipment* gains and losses on disposal of an item of property, plant and equipment is to be recognised on a net basis as revenue or an expense, rather than recognising the consideration received as revenue. The effect of this is:

(i) For the year ended 31 December 2004
For the Consolidated Entity the carrying value of radio access network infrastructure sold of $330,533,000 and other operating expenses of $16,001,000 has been netted-off with the revenue received as consideration of $386,869,000 resulting in an increase in other income of $40,335,000.

(e) Other income

Under AASB 118 *Revenue* the definition of revenue is narrower than the standard that it supersedes AASB 1004 *Revenue*. AASB 118 defines revenue as the gross inflow of economic benefits from ordinary activities while AASB 1004 contains a broader definition or revenue encompassing all of an entity's inflows. As a result the presentation of the income statement has been changed separating revenue from other income. The effect of this is:

(i) For the year ended 31 December 2004

For the Consolidated Entity there has been a decrease in revenue of $13,427,000 and a corresponding increase in other income as a result of classifying net foreign exchange gains and net gains on disposal of other non-current assets as other income.

(f) Accumulated Losses

The effect on accumulated losses of the changes set out above are as follows:

	Notes	**1 January 2004** $'000	**31 December 2004** $'000
Customer acquisition costs	4(a)	(63,219)	(225,882)
Share based payment	4(c)	-	(733)
Total Adjustment		**(63,219)**	**(226,615)**
Attributable to:			
Members of Hutchison Telecommunications (Australia) Limited		(55,366)	(193,460)
Minority interest		(7,853)	(33,155)
		(63,219)	**(226,615)**

(5) Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 January 2005

	31 December 2004 $'000	Adjustment $'000	**1 January 2005 $'000**
Current Assets			
Cash and cash equivalents	**72,700**	-	**72,700**
Receivables	**477,790**	-	**477,790**
Inventories	**108,530**	-	**108,530**
Other	**58,996**	(9,070)	**49,926**
Total Current Assets	**718,016**	(9,070)	**708,946**
Non-Current Assets			
Receivables	**124,436**	(1,916)	**122,520**
Investment accounted for using the equity method	**-**	-	**-**
Other financial assets	**-**	-	**-**
Property, plant and equipment	**999,730**	-	**999,730**
Intangible assets	**872,201**	-	**872,201**
Other	**40,034**	-	**40,034**
Total Non-Current Assets	**2,036,401**	(1,916)	**2,034,485**
Total Assets	**2,754,417**	(10,986)	**2,743,431**
Current Liabilities			
Payables	**301,302**	-	**301,302**
Interest bearing liabilities	**202,731**	-	**202,731**
Provisions	**1,369**	-	**1,369**
Other	**6,399**	-	**6,399**
Total Current Liabilities	**511,801**	-	**511,801**
Non-Current Liabilities			
Interest bearing liabilities	**2,660,487**	(9,419)	**2,651,068**
Provisions	**799**	-	**799**
Total Non-Current Liabilities	**2,661,286**	(9,419)	**2,651,867**
Total Liabilities	**3,173,087**	(9,419)	**3,163,668**
Net Assets	**(418,670)**	(1,567)	**(420,237)**
Equity			
Parent entity interest			
Contributed equity	**1,031,244**	-	**1,031,244**
Reserves	**55,620**	-	**55,620**
Accumulated losses	**(1,611,371)**	(1,278)	**(1,612,649)**
Total parent entity interest	**(524,507)**	(1,278)	**(525,785)**
Minority interest	**105,837**	(289)	**105,548**
Total Equity	**(418,670)**	(1,567)	**(420,237)**

Refer to notes 1(r) for further information on the transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 January 2005.

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 2005 are as follows: N/A

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

N/A

Retained Earnings *(Appendix 4E item 8)*

	2005 $'000	2004 $'000
Accumulated losses at 1 January	**(1,611,371)**	(921,292)
Adjustment on adoption of AASB 132 and 139, net of tax	**(1,278)**	-
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	**(547,295)**	(690,079)
Accumulated losses at 31 December	**(2,159,944)**	(1,611,371)

NTA Backing *(Appendix 4E item 9)*

	2005	2004
Net tangible asset backing per ordinary share	($2.78)	($1.90)

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

Mondjay Pty Ltd, a non-trading subsidiary was disposed of on 6 April 2005.

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.

	2005 $'000	2004 $'000
Carrying amount of investment in the entity	**-**	-
Share of entity's assets and liabilities		
Current assets	**28,261**	-
Non-current assets	**27,517**	-
Total assets	**55,778**	**-**
Current liabilities	**(19,338)**	-
Non-current liabilities	**(36,440)**	-
Total liabilities	**(55,778)**	**-**
Net assets	**-**	**-**
Share of entity's revenue, expenses and results		
Revenues	**40,520**	-
Expenses	**(40,520)**	-
Profit before income tax	**-**	**-**
Share of entity's commitments		
Lease commitments	**134,985**	-
Capital commitments	**-**	-
	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:

	2005 $'000	2004 $'000
Non-current assets		
Plant and equipment - at net book value	**355,136**	330,533
Less: Accumulated depreciation	**(20,062)**	-
	335,074	330,533
Capital commitments	**1,587**	49,085

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.