Hutchison Telecommunications (Australia) Limited
2006 Annual General Meeting
9 May 2006

Chairman's Address

Good morning ladies and gentlemen.

2005 has been a year in which we have made major gains in service revenue, strengthened margins and improved the overall financial performance.

On a global basis the **3** Group had, as announced by Hutchison Whampoa at the end of March, almost 12 million customers across the nine countries where the Group has 3G mobile operations. The Group's businesses have also maintained their 3G market leading positions in the face of the incumbents launching their own 3G services. They also all generate above market average non-voice revenues from a broad suite of content, multi-media messaging and video services.

On 1 February we announced the re-branding of our CDMA business to **3** and also that we would actively upgrade our customers from the 2G network to 3G. We set ourselves a realistic timeframe to complete that task over the majority of this year, and beyond, and we acknowledged that we would review the continuing operation of the CDMA service as we reached a critical mass of customers moving to 3G.

The decision to begin the migration of customers from our 2G business to **3** was made because we believed the timing was right. The increasing awareness of 3G, coupled with the improvement in form factor of handsets, as mainstream mobile phone manufacturers have increased their investment in 3G, has provided impetus to our successful and timely migration.

Given the significant volume of customers that have upgraded, and the margin from those customers that has been transferred to **3**, we are today in a position to announce the closure of our 2G CDMA network on 9 August this year. At that point, we will be the only Australian mobile operator with a single focus on 3G, we will have no legacy 2G customer base at risk of churn when they decide to upgrade to 3G and we will not have any capital or running cost requirements for operating any mobile technology other than 3G.

We are very well placed to continue to strengthen our market leading position in 3G. Last year, we stated that in 2005 Hutchison will be one of the most dynamic and influential forces in the Australian mobile market. We are re-stating that position again today and that 2006 will be another year where we continue to build our revenue base, while at the same time ensuring we maintain control of operating costs to continue the improving trend in our underlying financial performance.

It is disappointing that our share price has not yet responded to increasing clarity around our position in the market, our growth opportunity and our cost structure. The capital structure in the business is surely a part of this. With convertible notes maturing next year, and improved visibility of the shape of the business, the optimum capital structure will be re-evaluated.

Hutchison Whampoa will continue to provide financial support to **3** in Australia and Hutchison Australia will continue to benefit from their global leading position in 3G.

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Chief Executive Officer's Address

Thank you Mr Chairman. Good morning ladies and gentlemen.

At last year's AGM, I outlined a number of key trends for 2005 in the Australian mobile market. I said that an important milestone would be the entrance of the three incumbent mobile operators into the 3G arena, and that the launches of competing 3G services would be beneficial to **3** - because they would increase consumer and business understanding of 3G, and provide credibility for 3G as the way forward for the mobile market.

I also said that in a market where mobile voice pricing is understandably commoditising, the growth potential in data or non-voice related services was both exciting for, and also key to, **3**'s long term profitability.

For Hutchison, 2005 was a year in which the validity of those statements started to unfold.

The launches of our competitors' 3G services helped fuel new sales, mostly postpaid, taking us to over 800,000 customers using our 3G service in March 2006.

Our focus on delivering compelling non-voice services that our customers would use and pay for was key for Hutchison in 2005. Knowing how to price, package and promote our products saw customer usage increase, customer behaviour towards how they use their mobile change, and non-voice revenue increase.

Summarising the results for 2005:

- 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 significantly from $13 to $19
- the key metric, average margin contribution per customer per month across the entire customer base strengthened from $45 to $48, bucking all comparable competitor trends and emphasising the importance of non-voice revenue
- EBITDA losses reduced by $230.2 million reflecting both revenue growth and reduced operating costs.

Notably, the year on year improvement in EBITDA of $230.2 million was consistent with the improvement in service revenue, confirming the potential operating leverage of **3**'s business model. In January this year, Hutchison recorded positive EBITDA for the first time, prior to the cost impact of internally upgrading 2G customers to the 3G network. Entering 2006, the financial shape of our business was becoming clearer and our growth momentum was good.

On 1 February this year we announced the decision to re-brand our 2G business to 3 CDMA, and actively upgrade those 2G customers to our 3G network. The logic behind this decision is simple and compelling.

Strategically, the upgrade programme will further cement **3** as Australia's leader in 3G, giving us growth momentum, scale and credibility. We want this position established while our competitors are still struggling to bed down their own 3G offerings and technology. We also want to position ourselves to capitalise on the increased churn levels that our competitors will experience over the next 2 to 3 years as they deal with the inevitable migration of their 2G customers to 3G.

Operationally and commercially, the benefits of the upgrade programme are strong. A clear focus behind one brand, one business model, one technology platform, with significant resultant cost savings. Put simply, we want our operating cost and capital investment focussed on the growth mobile market of 3G, not the declining mobile market in 2G.

As our Chairman has said already, progress on the upgrade programme has been outstanding.

In just over four months, more than 200,000 2G customers have upgraded to our postpaid 3G service. That is a significant achievement. Those customers are now getting more from their mobile as they discover new services not available to them before.

With a critical mass of our 2G customer base and revenue now upgraded to 3G, we are today announcing our plans to close our 2G CDMA network. Those customers still with a service on our 2G network can upgrade to our postpaid 3G service and take advantage of a free 3G mobile, a full waiver of their existing CDMA handset instalments, and exclusive upgrade plans that can match their current spend level and rates. On 9 August 2006, our 2G network will close.

Upon completion of the 2G upgrade programme in August, we hope to have upgraded over 250,000 2G customers to **3**. Customers not upgrading will include the majority of our CDMA prepaid customers, low tolling customers and services located outside **3**'s coverage area – such as Newcastle and the Central Coast.

3 will then have over one million customers on its 3G service. We expect to cross this threshold prior to our half year end in June. Please note that the vast majority of those customers, indeed, over 85%, will be valuable, higher margin, postpaid customers.

The cash costs of this upgrade programme are estimated to be approximately $145 million, comprising $105 million of upgrade costs, direct and indirect, and $40 million of network and service closure costs, with minimal redundancies as we transfer our 2G operations staff to our 3G operations. The resultant cash operating cost savings we estimate to be approximately $70 million per annum. We also plan to accelerate the depreciation of fixed assets associated with the CDMA network, incurring a one-off depreciation charge of approximately $145 million. These costs will be accounted for in our half year results to June.

In cash terms, our peak funding expectation is now slightly higher than the $3 billion we have previously indicated. This is mainly driven by the cost of increased customer acquisition activity and related capacity CAPEX, plus an estimated cost of a network wide roll-out of an HSDPA upgrade by the first half of 2007. This will assist with both efficient capacity expansion but also an enhanced opportunity to deliver new and improved non-voice services. The peak funding guidance was first given back in February 2002 and it is testament to the dedication of our organisation that over the intervening period, in such a dynamic market, we believe we can deliver a variance of less than 10%. We still anticipate the peak funding will be reached during 2007.

Beyond the 2G upgrade programme, and continuing on from a strong end to 2005, the momentum in new **3** postpaid sales activity in the early months of this year has been very good, consistent with November and December last year. The introduction of a range of new handsets especially from the more popular manufacturers, Nokia, Motorola and LG, has supported this growth.

By August, we estimate that **3** will hold 8% of Australia's mobile service revenue, significantly, all delivered on 3G infrastructure. **3** will also be sustainably EBITDA positive and operationally cash flow positive.

We believe that this is a good position to be in, with, we estimate, 85 to 90% of Australia's mobile service revenue still to be upgraded from 2G to 3G in the years ahead.

Revenue momentum has also been supported by the continued introduction of new content products and services. We provided a detailed account of our content services and their usage in the Annual Report. The focus on content continues in 2006.

A little over two weeks ago, in conjunction with the TV show, we re-launched our Big Brother mobile TV channel, which was very popular in 2005. In that short period the take-up has been tremendous. Compared to the same period last year, we have attracted a 230% increase in subscriptions, and so far there has been a 330% increase in the access of live video streams. Simply put, customers want to use their mobile for more than just making phone calls or sending text messages. It is clear to us that customer behaviour is changing – and this is echoed each time we introduce a new 3G service.

This year, with the **3** Ashes Test Cricket series coming to Australia, we will once again bring live cricket action to our customers with live mobile TV.

Our music proposition is, while still developing, exceptionally exciting. For the full year 2005, we believe that **3** was the number one digital music service in Australia, ahead of Big Pond Music, iTunes and other leading digital music services. By the end of this year, **3** will be able to offer our customers a unique music experience with access to a few hundred thousand songs. Adding to our customers experience and enhancing our music product, we recently launched the music related youth entertainment brand, MTV, on the mobile.

With the World Cup only a month away, **3** will also be delivering official FIFA highlights of every match to our customers' mobiles, as well as SBS TV so customers can even watch the games live.

2005 marks the third year of **3** in the Australian market.

In that time we have launched Australia's first 3G service and introduced almost one million Australians to more than just a low cost voice call. We have continued to build Australia's largest 3G network. It is staggering to think that in 2005 our customers experienced over 50 million content events and already almost one third of our 3G margin comes from non-voice services. There is no doubt in our minds that customers want more from their mobile. Our non-voice services are refreshing, affordable and are a clear differentiator for **3**. As a result, we believe we can sustain the highest non-voice/non-SMS usage and ARPU in the industry and this will provide our growth engine to deliver improved financial performance.

With 2G market service revenue now in decline, and the 3G market growing rapidly, our focus is absolutely in the right direction.

Our decision to upgrade our 2G customers and the timing of that has been correct. Our customers themselves have signalled that they are ready, and the benefits from a single focus, a single brand and single infrastructure will only add to **3**'s position as we move ahead in 2006.

Thank you.

We will now take any questions.