

Hutchison Telecommunications (Australia) Limited ABN 15 003 677 227

ASX Half year information – 30 June 2006

Lodged with the ASX under Listing Rule 4.2A.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 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
 Half year ended 30 June 2006
 (Previous corresponding period:
 Half year ended 30 June 2005)

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	up	9.2%	to	490,530
Loss from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	up	71.9%	to	(524,704)
Net loss for the period attributable to members <i>(Appendix 4D item 2.3)</i>	up	71.9%	to	(524,704)

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

Record date for determining entitlements to the interim dividend

Day/Month/Year

(Appendix 4D item 2.5)

N/A

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

Half year report – 30 June 2006

Directors' report

Your Directors present their report on the Consolidated Entity consisting of Hutchison Telecommunications (Australia) Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2006.

Review of operations ¹

During the six months to 30 June 2006, Hutchison recorded improved underlying financial performance with growth and margin improvement across key reporting areas. As a result, the Company was EBITDA positive in the period before taking into account the CDMA network closure costs, as summarised later in this report.

Specifically, in the 3G business, which, going forward will be the principal driver of the consolidated results, compared with the corresponding half year in 2005:

- The number of mobile customers on the 3G network passed one million in May and stood at 1,044,000 on 30 June.
- Service revenue increased by 65.1% to \$360.1 million driven by new sales, stronger usage of non-voice services and the CDMA upgrade programme.
- Average revenue per user (ARPU) for all non-voice services grew from \$16 to \$19 of which \$8 is generated by non-voice services other than SMS.
- Average margin per customer was \$53 of which \$13, or 24.6%, came from non-voice services.

On 1 February we commenced upgrading customers from 2G to 3G technology. One of the key benefits of the upgrade plan was the opportunity to transfer the majority of the margin generated on the CDMA network to the 3G network. Once a significant portion of this transfer had been achieved, the decision to close the CDMA network could be made. In addition to the realisation of cost savings, as detailed on the following page of this report, the movement of a significant number of customers to 3G will give **3** scale and the opportunity to grow the business further. Internally, it will enable the Company and its staff to focus all of its energy on one brand and one business.

The CDMA customers' willingness to move to our 3G service was greater than expected. By early May, over 200,000 customers had upgraded leading us to announce, on 9 May, our intention to close the CDMA network on 9 August, earlier than initial expectations. By 30 June, the number of customers upgrading had risen to 256,000, with only 87,000 remaining on the CDMA network. Between 1 July and 9 August, a further 28,000 CDMA customers upgraded to the 3G network.

The financial impact of the CDMA network closure can be grouped into four key components:

¹ **Mobile customers** reflects active mobile services in operation at the end of the reporting period and excludes Paging and Information Services.

Service revenue excludes revenue from sales of handsets, interest income and other income.

ARPU represents rolling 12 month average service revenue per user per month at the end of the period across pre and post-paid customers.

Average margin per customer represents rolling 12 month average margin per mobile customer, across pre and post-paid per month at the end of the period. Margin represents service revenue less interconnect and variable content costs.

- i) there was a cost associated with upgrading the CDMA customers to the 3G network. This cost is mainly driven by the level of handset subsidy to encourage the upgrade decision;
- ii) a provision for site decommissioning costs has been raised in the first half results;
- iii) the depreciation and amortisation charges on the CDMA assets, except the 850MHz spectrum licence, have been accelerated to recognise the early closure of the network. As a result, the book value of all CDMA related non-current assets, except the 850MHz spectrum licence, has been fully written down. It is worth noting that accelerating depreciation and amortisation charges do not impact on the business' cash flows or peak funding requirements; and
- iv) as a result of the network closure, significant savings will be realised. This is evidenced already by approximately \$58 million of reduced running operating costs in the 2G business for the current six month reporting period as compared with the prior year corresponding six month period. With additional savings in future reporting periods to come, the final cost saving achieved will result in a cash payback on the closure costs of less than two years. This payback estimate ignores any expected benefits of scale and a singular focus on the 3G business going forward.

A summary of the three cost components is set out in the table below. Details of the cost savings realised to date are set out in the commentary on the review of financial performance.

CDMA Network Closure Costs	Half Year June 2006	
	\$M	\$M
CDMA customer upgrade costs		
Handset subsidy	71.5	
Commissions	7.7	
Other indirect expenses	<u>18.7</u>	97.9
Site decommissioning costs		28.0
Depreciation and amortisation		
Accelerated depreciation	131.6	
Accelerated amortisation	<u>41.7</u>	173.3
Total CDMA network closure costs		299.2

Whilst delivering significant benefit to the business, upgrading customers to the 3G network has a short term cost impact. This cost impact is shown below in the 'Reported' figures. However, in order to provide clarity and insight into the underlying performance and trends in the business, 'Underlying' figures that remove those short term costs are also presented. The details in the following tables and commentary make reference to both sets of figures.

Review of Operating Performance ²

	Half Year			
	June 2006	Dec 2005	June 2005	Y/Y change
Service revenue (\$m)	423.6	393.8	364.4	16.2%
EBITDA (loss) (\$m)	1.3	(57.5)	(122.6)	n/a
Underlying NPAT (loss) (\$m)	(225.5)	(242.0)	(305.3)	26.1%
Impact of CDMA network closure (\$m)	(299.2)	-	-	-
Reported NPAT (loss) (\$m)	(524.7)	(242.0)	(305.3)	-71.9%
Capital expenditure (\$m)	84.5	48.1	147.9	42.9%
Mobile customers – 3G ('000)	1,044	654	532	96.2%
2G ('000)	87	381	418	-79.2%
Total ('000)	1,131	1,035	950	19.1%
3G Post-paid %	88.3%	85.8%	87.4%	n/a
3G Pre-paid %	11.7%	14.2%	12.6%	n/a
3G/2G blended ARPU	\$65.48	\$66.90	\$69.51	-5.8%
3G ARPU	\$73.88	\$78.33	\$84.61	-12.7%
3G ARPU voice	\$55.18	\$59.54	\$69.00	-20.0%
3G ARPU non-voice	\$18.70	\$18.79	\$15.61	19.8%
– non-SMS	\$7.51	\$7.58	\$6.50	15.5%
– SMS	\$11.19	\$11.21	\$9.11	22.8%
3G/2G blended average margin per customer	\$47.49	\$48.17	\$48.54	-2.2%
3G average margin per customer	\$53.23	\$54.67	\$57.46	-7.4%
– voice margin per customer	\$40.16	\$41.69	\$45.59	-11.9%
– non-voice margin per customer	\$13.07	\$12.98	\$11.87	10.1%
3G customers accessing Planet 3	76%	70%	67%	n/a
3G content events (millions)	41.6	29.9	19.6	112.2%
3G customers generating a billed content event	57%	53%	52%	n/a
3G SMS sent (millions)	317.8	198.5	143.9	120.8%
3G customer acquisition cost	\$265	\$377	\$427	37.9%

Note: statistical data represents management's best estimates

² **EBITDA** excludes depreciation and amortisation and includes the immediate expense of all customer acquisition costs. It also excludes CDMA network closure costs.

Underlying NPAT represents the **Reported NPAT** less both the CDMA customer upgrade costs and the site decommissioning costs (\$125.9 million) and the accelerated depreciation and amortisation charges (\$173.3 million) for the remaining net book value of the CDMA assets, excluding the 850MHz spectrum licence.

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

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

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

3G customer acquisition cost represents the average direct costs, including commissions, promotional credits and handset subsidies associated with acquiring each new customer for the period.

Improving financial performance

The combined business reported a positive EBITDA of \$1.3 million prior to the cost impact of the closure of the CDMA business. This result is a continuation of the trend seen over the last two half year periods and represents a significant improvement on the EBITDA losses of \$122.6 million and \$57.5 million reported in the six months ended 30 June 2005 and 31 December 2005 respectively. The improved EBITDA performance is a result of a 16.2% increase in service revenue, improved operating margins and lower running operating expenses.

The Company has recorded an Underlying NPAT loss of \$225.5 million for the half year ending June 2006. This Underlying NPAT loss is an improvement on the NPAT loss reported at the end of June 2005. The Reported NPAT loss for the current reporting period of \$524.7 million includes a one off charge of \$299.2 million for CDMA network closure costs which incorporates \$125.9 million of CDMA customer upgrade costs and site decommissioning costs and accelerated depreciation and amortisation charges of \$173.3 million. The total costs of closing the CDMA network and upgrading CDMA customers to the 3G network are in line with the estimates provided at this year's Annual General Meeting.

Capital expenditure (CAPEX) for the period of \$84.5 million is well down on the CAPEX from this time a year ago and is principally attributable to network capacity enhancements and incremental site build in order to ensure the 3G network continues to be the best in the industry. The lower level of CAPEX reflects the cost efficiency of a W-CDMA network for incremental capacity requirements, plus the cost benefits associated with a shared 3G radio access network infrastructure with Telstra Corporation Limited ("Telstra"). A similar level of CAPEX requirement is expected in the second half of this year as new sites and more capacity comes on stream.

Underlying 3G net customer growth is solid

In the six months ended 30 June 2006, the 3G customer base grew by 390,000, or 59.6%, (including 256,000 customers upgrading from the CDMA network) and totalled 1,044,000 by the end of the period, of which 88.3% are post-paid customers.

As a result of the decision to stop selling CDMA services in February this year, and the subsequent upgrading of these services to 3G, the CDMA customer base reduced to 87,000 customers at 30 June. Between 1 July and 9 August, a further 28,000 of these 87,000 customers upgraded from the CDMA network to the 3G network. The majority of customers that chose not to upgrade prior to the network closure were pre-paid and lower spend post-paid customers.

As set out in the table below, 3G net customer growth, excluding the impact of the customers upgrading from the CDMA network, showed positive trends. For the CDMA customer base, although the net movement was again a net outflow, the slow pace of churn to other carriers in the market was pleasing, particularly considering that the CDMA customers were able to cancel their service contract without penalty following the CDMA network closure announcement on 9 May.

Net customer growth ('000) ⁴	Half Year		
	June 2006	Dec 2005	June 2005
3 post-paid	105	95	117
3 pre-paid	29	26	2
Net customer growth in 3G	134	121	119
3 CDMA post-paid	-28	-58	-25
3 CDMA pre-paid	-10	21	17
Net customer growth in CDMA	-38	-37	-8
Total net customer growth	96	84	111

External churn in the 3G business also showed positive trends with post-paid churn at 1.6% in the first half of 2006, down from 2.4% in the same period last year. Customer satisfaction levels, as measured by both internal and external surveys, are at an all time high as the business matures and the service offering continues to strengthen.

From both an acquisition and retention perspective, improvements in handset form factor, functionality and price have had a big impact on the 3G business. During the first half of 2006, 10 handsets were introduced to the range; 4 from Nokia, 1 from Motorola, 3 from LG and 2 from Sony Ericsson. Currently, 20 models of 3G handsets (excluding numerous colour choices) plus NetConnect Cards are available to purchase through our extensive network of sales and servicing outlets, a range well in excess of that of our closest competitors.

Stable margins supported by non-voice services

Over the course of the 12 months from June 2005 to June 2006, the Company has recorded an improvement in margin percentage (representing service revenue less interconnect and variable content costs) from 73.6% to 76.1%. The margin per customer per month across both the CDMA and 3G operations of \$48 has fallen marginally as a result of the decline in voice margins, partially offset by improving non-voice margins.

It is the contribution from margin, not ARPU, that is critical to improved financial performance. As mobile interconnect rates reduce and voice margins are squeezed, margin, not ARPU or revenue, becomes a more relevant indicator of the health of the Company.

ARPU and margin driven by the 3G business and supported by non-voice services

Overall ARPU declined by 5.8% compared to the same period last year, primarily due to a broadening of the 3G customer base and a reduction in mobile interconnect rates.

ARPU in the 3G business declined by 12.7%. The decrease in overall 3G ARPU is a result of a 20.0% drop in voice ARPU (from \$69 in June 2005 to \$55 in June 2006). Voice ARPU has been impacted by the 16.7% decrease in mobile interconnect rates, falling from 18 cents in the previous corresponding period to 15 cents in the current half year. Approximately \$3 of the \$14 reduction in voice ARPU is attributable to this rate reduction. However, the change in mobile interconnect rates has had minimal impact on the margin because there is a corresponding decrease in interconnect costs. Outgoing voice minutes of use per customer per month of the 3G customer base were 179 minutes in the current period, 19.0% lower than the 221 minutes reported in the same period in 2005. The reduction, which has contributed to the lower voice ARPU, is mainly due to a broadening of the base into mid-tier spend plans and the impact of migrating the CDMA customers into the 3G customer base (although this has no impact on the 3G/2G blended ARPU).

⁴ Net customer growth excludes CDMA migration to the 3G network of 256,000 customers. Churn represents the average monthly churn of post-paid customers for the period.

The reduction in 3G voice ARPU and margin was anticipated and follows trends in the industry. For this reason, our focus on the non-voice part of the business is integral to our strategy for not only customer acquisition and retention, but also profitable growth. In the 3G business in the first six months of 2006, the contribution to ARPU from non-voice services, including messaging, multimedia content and high-speed access, grew 19.8% from \$16 in the half-year to June 2005 to \$19. Revenue from SMS has increased from \$9 twelve months ago to \$11 reported at the end of June, while the 3G ARPU from other non-voice services including multimedia content, video-calling and high speed data access has increased from \$7 to \$8 over the same period for an industry leading 10.2% of total ARPU.

The 3G non-voice ARPU and margin now reflects the 256,000 customers that have upgraded from the CDMA network. On average, the upgraded customers have a lower non-voice margin contribution than the overall average but we believe that the usage patterns of these customers can be encouraged to change over time. Notwithstanding the impact of CDMA upgrade customers, the trends in non-voice service usage, penetration and margin over the period have been positive.

During the first half of 2006, **3** has continued to provide new and exciting content services to the customer base. In 2006, customers have enjoyed live TV from Big Brother, exclusive video highlights from FIFA during the World Cup as well as live coverage from SBS, MTV and E! Entertainment. They also continued to watch streamed channels including the Cartoon Network, Rage, Sky Racing and ABC Kids. In addition to a broadening portfolio of Mobile TV, customers also enjoyed news, entertainment, weather and sports content on Planet 3.

During the period, 76% of our customers accessed Planet 3 on a regular basis. Approximately 57% had a billable content event.

Cost structure continues to be enhanced

Total running operating expenditure in the business reduced by 17.9% from \$391.0 million in the six months ended 30 June 2005 to \$321.1 million in the current reporting period. Of the \$69.9 million reduction, approximately \$58 million relates to lower costs in the 2G business as a result of the commencement of cost rationalisation associated with the closure of the CDMA network. In the 3G business, despite a 96.2% increase in the customer base compared to the corresponding reporting period in 2005, running operating expenditure has reduced by approximately \$12 million. Strict disciplines around cost control and the competitiveness of our 3G focussed cost structure will help to ensure that the majority of future revenue growth prospects flow into improved profitability.

Acquisition costs continue to be a key contributor to the business' running operating expenditure. The cost of acquisition ("CAC") for each new 3G customer in the first half of 2006 fell significantly to \$265, down from \$427 in the first half of 2005. This was also a significant reduction on the \$377 reported for the six months ended 31 December 2005. The decline in CAC is due to falling handset prices as the major manufacturers expand their production of 3G handsets and to having a broader range of handsets at a variety of price points which allow the overall acquisition cost to be more effectively managed. The blended CAC of \$265 in the period reflects both underlying acquisition volumes as well as CDMA upgrade activity. A greater proportion of CDMA upgrade customers chose plans that had higher handset subsidies resulting in a CAC for this group of customers of \$306. The CAC for the remaining customers acquired in the period was \$225.

Coverage and network quality continues to improve

During the first half of the year the Company launched 3G services in Geelong, Victoria. Over 100 new sites have been added so far this year for infill sites and new coverage expansion. Currently, over 2,300 3G network sites are in operation. Recently, the Company completed the build to expand the network to cover parts of Wollongong in NSW and Frankston in Victoria. Over the balance of the year, the Company has plans to launch further infill and fringe coverage.

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

New service functionality will also be added to the network to ensure it maintains its current standing as the industry leading 3G network in Australia. Of particular note is the imminent upgrade to High Speed Data Packet Access ('HSDPA') which is expected to be available for use by our customers in many parts of the network before the end of this year, and installed across the entire network by the end of the first quarter of next year. The initial upgrade to HSDPA will enable download speeds of over 1 Mbps with later software releases into the network providing theoretical download speeds of around 14 Mbps before the end of 2007, subject to handset availability. With our joint venture partner, Telstra, the Company is committed to roll out these future enhancements of HSDPA as and when they are commercially available.

Most elements of the 3G network and the supporting systems are currently dimensioned for at least 1.6 million customers at the current usage profile. Work has also begun on increasing this capacity to 2.1 million customers and this should be completed over the course of the second half of 2006.

Analysis of Financial Performance ⁵

Summary Income Statement	Half Year			Y/Y change
	June 2006	Dec 2005	June 2005	
\$million				
Service revenue	423.6	393.8	364.4	16.2%
Costs of interconnection and variable content	(101.2)	(97.1)	(96.0)	-5.4%
Margin	322.4	296.7	268.4	20.1%
Margin %	76.1%	75.3%	73.6%	n/a
Running operating expenditure	(321.1)	(354.2)	(391.0)	17.9%
EBITDA (loss)	1.3	(57.5)	(122.6)	n/a
Capitalisation	1.7	6.0	8.5	-80.0%
CDMA customer upgrade and site decommissioning costs	(125.9)	-	-	-
3G depreciation and amortisation	(101.0)	(89.1)	(92.0)	-9.8%
2G depreciation and amortisation	(176.9)	(36.6)	(42.4)	-317.2%
EBIT (loss)	(400.8)	(177.2)	(248.5)	-61.3%
Finance cost	(123.9)	(109.7)	(117.4)	-5.5%
Loss before tax	(524.7)	(286.9)	(365.9)	-43.4%
Tax	-	-	-	-
Loss after tax	(524.7)	(286.9)	(365.9)	-43.4%
Minority interest	-	44.9	60.6	-100.0%
NPAT (loss)	(524.7)	(242.0)	(305.3)	-71.9%
Underlying NPAT (loss)	(225.5)	(242.0)	(305.3)	26.1%

3G non-voice revenue up and overall margin strengthens

Total service revenue, which includes voice and non-voice service revenue, for the six months ended June 2006 increased to \$423.6 million representing a 16.2% increase year on year.

⁵ **Costs of interconnection and variable content** includes fixed line and mobile interconnect expenses plus variable content costs.
Running operating expenditure is net of equipment revenue and other income and before capitalisation of direct acquisition cost, excluding CDMA customer upgrade costs and site decommissioning costs of \$125.9 million.
CDMA customer upgrade costs and site decommissioning costs include direct and indirect costs to upgrade CDMA customers to the 3G network and costs associated with the network closure.
2G depreciation and amortisation includes the impact of accelerating depreciation and amortisation of CDMA network assets (\$173.3 million) plus amortisation relating to the Company's 850MHz spectrum licence (\$3.6 million)

Interconnect revenue is included in total service revenue and increased by 9.3% from \$91.1 million in the previous corresponding period to \$99.6 million in the first half of 2006. During the reporting period, interconnect revenue was booked at the ACCC Mobile Terminating Access Services (MTAS) Pricing Principles rate of 15 cents. This compares to the Pricing Principles rate of 18 cents during the same period in 2005.

Service revenue in the 3G business rose by 65.1% from \$218.1 million in the first half of 2005 to \$360.1 million in this reporting period and contributed 85.0% of the Company's total service revenue. This growth included a strong contribution from non-voice services of \$79.4 million, an increase of 69.7% over the corresponding period.

Service revenue in the 2G business declined to \$63.5 million from \$146.3 million as the Company moved over 256,000 customers from the CDMA network to the 3G network.

Costs of interconnection and variable content increased by 5.4% in the six months to 30 June 2006 compared to the corresponding reporting period. This increase was at a much slower pace than the increase in service revenue and, as a result, the margin in the business strengthened. The cost of interconnection with other mobile networks benefited from the Pricing Principles rate reduction referred to above.

Running operating expenditure

\$million	Half Year			Y/Y change
	June 2006	Dec 2005	June 2005	
Other direct costs of provision of telecommunications services and goods	160.6	190.6	175.9	8.7%
Net cost of handsets sold	41.8	55.8	80.2	47.9%
Employee benefits expense	53.5	52.7	49.9	-7.2%
Advertising and promotion expenses	28.2	33.4	35.9	21.4%
Other operating expenses	40.4	41.9	55.1	26.7%
Other income	(0.7)	(16.0)	(1.6)	-56.3%
Share of net profits of joint venture partnership accounted for using equity method	(0.7)	-	-	n/a
Interest and rental income	(2.0)	(4.2)	(4.4)	-54.5%
Total running operating expenditure	321.1	354.2	391.0	17.9%

Excluding the CDMA customer upgrade costs and the site decommissioning costs of \$125.9 million, running operating expenditure reduced by \$69.9 million compared to the first six months of 2005. Included in the running operating expenditure for the current period is approximately \$34 million still relating to the CDMA business. Approximately \$58 million of the overall \$69.9 million decrease is attributable to the decision to close the CDMA network. In addition to savings in the CDMA business, the lower cost base in the 3G business is a significant achievement because it has been accomplished during a period when the customer base has continued to grow strongly.

Other direct costs of providing telecommunications goods and services decreased by \$15.3 million in the current reporting period compared to the first half of 2005. The overall decrease reflects savings of \$36.5 million in the CDMA business and incremental costs in the 3G business of \$21.2 million to support the growing customer base on the 3G network.

Included in running operating expenditure for the six months to 30 June is a net subsidy position of \$41.8 million for both acquisition and retention activity, which is a significant reduction from the \$80.2 million reported in the prior year corresponding period. Substantially, all of this decrease is attributable to the 3G business with both handset revenue and cost in the 2G business being approximately \$20 million less than in the prior period.

Employee benefits expense incurred in the reporting period were \$3.6 million higher than reported in the first half of 2005 due principally to a tightening labour market. Employment costs relating to the CDMA business decreased by \$4.1 million in the current period compared to the same period last year.

Expenditure on advertising and promotions decreased by \$7.7 million in the current reporting period compared to the previous corresponding reporting period. Advertising costs in the 3G business increased by \$0.3 million and reduced by \$8.0 million in the CDMA business.

Other operating expenditure includes travel and accommodation, consulting and professional fees, bad debt, ACMA and USO levies, general repairs and maintenance, and office expenses. Total other operating expenditure was \$14.7 million lower than the corresponding half year, \$9.3 million of which is due to savings in the CDMA business.

Other income of \$0.7 million relates to net gains on foreign currency exchange and compares with \$1.6 million in the six months period to 30 June 2005.

Also included in running operating expenditure of \$321.1 million is \$2.0 million (\$4.4 million in the corresponding period in 2005) of interest and rental income and \$0.7 million relating to the share of net profits of the joint venture partnership with Telstra accounted for using the equity method.

3G depreciation and amortisation is \$9.0 million higher for the reporting period compared with the six months to 30 June 2005 reflecting the depreciation on 3G related capital expenditure throughout 2005 and the first half of 2006.

2G depreciation and amortisation includes the accelerated depreciation required to write down all CDMA related fixed assets to zero at 30 June (\$173.3 million), and the normal amortisation charge applied to the Company's 850MHz spectrum licence of \$3.6 million. The net book value of the 850MHz spectrum licence at 30 June was \$35.9 million.

Finance costs increased by \$6.5 million this half year compared to the corresponding half year. Net debt, after deducting cash and cash equivalents, at 30 June was \$3,342.7 million compared to \$2,995.8 million at 31 December 2005.

In the six months ended 30 June 2005, there was a credit of \$60.6 million in the income statement in respect of minority interest. This had the effect of improving the reported NPAT loss in that period. In the current reporting period, there is no similar benefit to the income statement as the contribution from the minority shareholder in the 3G business has been fully utilised in prior periods.

Outlook

When the decision was made to actively upgrade the CDMA customer base to the 3G network, the target that the Company had set to record a breakeven EBITDA position was delayed. We still believe this was the correct decision as the Company is now very well placed to report improving profitability going forward. Excluding the CDMA customer upgrade and site decommissioning costs, EBITDA in the first half of the year was positive \$1.3 million, a solid base to work from. The CDMA closure is complete and further cost savings will be realised in the second half of 2006 resulting in a rapid payback on the closure cost.

EBITDA is expected to improve in the second half of the year compared to the first half of 2006, benefiting from the strong growth in revenue and margin in the first half of the year. The first half NPAT loss result includes the CDMA network closure costs of \$299.2 million and, with expected improvements in EBITDA and minimal charges to come through in the second half of 2006 relating to the CDMA network closure, the second half NPAT loss position should be better than the Underlying NPAT loss for the first six months of the year.

With relatively low levels of CAPEX requirements going forward, the key barrier to free cash flow breakeven becomes the finance cost on high levels of borrowings. As noted at this year's Annual General Meeting, the optimal level of debt to equity needs further review and

when a decision on the recommended capital structure has been made it is expected that this will place the Company in a stronger financial position.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Directors

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

FOK Kin-ning, Canning
Barry ROBERTS-THOMSON
Justin H. GARDENER
LAI Kai Ming, Dominic
Frank John SIXT
John Michael SCANLON

Mr Dennis Pok Man LUI resigned as a Director on 15 February 2006.

Mrs CHOW WOO Mo Fong, Susan was appointed as a Director on 15 February 2006 and continues in office at the date of this report.

Rounding of amounts

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

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



FOK Kin-ning, Canning
Director
23 August 2006

Auditors' Independence Declaration

As lead auditor for the review of Hutchison Telecommunications (Australia) Limited for the half year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hutchison Telecommunications (Australia) Limited and the entities it controlled during the period.



DJ Whale
Partner
PricewaterhouseCoopers

Sydney
23 August 2006

Hutchison Telecommunications (Australia) Limited
Consolidated income statement
For the half-year ended 30 June 2006

	Note	Half-year	
		2006 \$'000	2005 \$'000
Revenue from continuing operations		490,530	449,061
Cost of interconnection and variable content costs		(101,150)	(96,008)
Other direct costs of provision of telecommunication services and goods		(160,570)	(175,904)
Cost of handsets sold		(106,783)	(160,418)
Employee benefits expense		(53,473)	(49,943)
Advertising and promotion expenses		(28,217)	(35,928)
Other operating expenses		(40,395)	(55,084)
Other income		697	1,639
Share of net profits of joint venture partnership accounted for using equity method		670	-
CDMA network closure costs	3	(299,213)	-
Capitalisation of customer acquisition costs		1,760	8,454
Depreciation expense		(61,664)	(79,875)
Amortisation expense		(43,001)	(54,464)
Finance costs - net		(123,895)	(117,416)
Loss before income tax		(524,704)	(365,886)
Income tax expense		-	-
Loss for the year		(524,704)	(365,886)
Net loss attributable to minority interest		-	60,607
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited		(524,704)	(305,279)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		(77.3)	(45.0)
Diluted earnings per share		(77.3)	(45.0)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share		(77.3)	(45.0)
Diluted earnings per share		(77.3)	(45.0)

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

Hutchison Telecommunications (Australia) Limited
Consolidated balance sheet
As at 30 June 2006

	30 June 2006 \$'000	31 December 2005 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	14,627	120,450
Receivables	199,640	175,251
Inventories	70,217	68,950
Derivative financial instruments	487	-
Other	25,254	21,843
Total Current Assets	310,225	386,494
Non-Current Assets		
Receivables	63,941	49,840
Investment accounted for using the equity method	670	-
Property, plant and equipment	936,968	1,055,948
Intangible assets	733,625	816,563
Other	3,750	3,934
Total Non-Current Assets	1,738,954	1,926,285
Total Assets	2,049,179	2,312,779
LIABILITIES		
Current Liabilities		
Payables	275,408	257,433
Borrowings	426,843	427,577
Provisions	933	876
Other	9,580	8,787
Total Current Liabilities	712,764	694,673
Non-Current Liabilities		
Borrowings	2,930,478	2,688,661
Provisions	1,796	1,292
Total Non-Current Liabilities	2,932,274	2,689,953
Total Liabilities	3,645,038	3,384,626
Net Liabilities	(1,595,859)	(1,071,847)
EQUITY		
Contributed equity	1,031,244	1,031,244
Reserves	57,545	56,853
Accumulated losses	(2,684,648)	(2,159,944)
Parent entity interest	(1,595,859)	(1,071,847)
Minority interest	-	-
Total Equity	(1,595,859)	(1,071,847)

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

Hutchison Telecommunications (Australia) Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2006

	Half-year	
	2006	2005
	\$'000	\$'000
Total equity at the beginning of the half-year	(1,071,847)	(418,670)
Adjustments on adoption of AASB 132 and AASB 139, net of tax, to:		
Accumulated losses	-	(1,567)
Restated total equity at the beginning of the half-year	<u>(1,071,847)</u>	<u>(420,237)</u>
Changes in the fair value of cash flow hedges, net of tax	487	42
Net income recognised directly in equity	487	42
Loss for the half-year	<u>(524,704)</u>	<u>(365,886)</u>
Total recognised income and expense for the half-year	<u>(524,217)</u>	<u>(365,844)</u>
Transactions with equity holders in their capacity as equity holders:		
Employee share options	205	657
Total equity at the end of the half-year	<u>(1,595,859)</u>	<u>(785,424)</u>
Total recognised income and expense for the half-year is attributable to:		
Members of Hutchison Telecommunications (Australia) Limited	(524,217)	(305,229)
Minority interest	-	(60,615)
	<u>(524,217)</u>	<u>(365,844)</u>

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

Hutchison Telecommunications (Australia) Limited
Consolidated cash flow statement
For the half-year ended 30 June 2006

	Half-year	
	2006	2005
	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)	503,347	470,485
Payments to suppliers and employees (inclusive of GST)	<u>(653,490)</u>	<u>(516,321)</u>
	(150,143)	(45,836)
Interest received	1,921	2,019
Finance costs paid	<u>(120,118)</u>	<u>(122,732)</u>
Net cash (outflow) from operating activities	<u>(268,340)</u>	<u>(166,549)</u>
Cash Flows from Investing Activities		
Proceeds from sale of radio access network infrastructure	-	424,603
Payments for property, plant and equipment	<u>(74,250)</u>	<u>(147,919)</u>
Payments for intangible assets	<u>(1,760)</u>	<u>(8,454)</u>
Net cash (outflow) / inflow from investing activities	<u>(76,010)</u>	<u>268,230</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	240,750	290,000
Repayment of borrowings	-	(225,833)
Repayment of finance lease	<u>(2,223)</u>	<u>(1,342)</u>
Net cash inflow from financing activities	<u>238,527</u>	<u>62,825</u>
Net (Decrease) / Increase in cash and cash equivalents	(105,823)	164,506
Cash and cash equivalents at 1 January	<u>120,450</u>	<u>72,700</u>
Cash and cash equivalents at 30 June	<u>14,627</u>	<u>237,206</u>

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

Hutchison Telecommunications (Australia) Limited

Notes to the consolidated financial statements

For the half-year ended 30 June 2006

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in accordance with the annual report for the year ended 31 December 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*.

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

Going concern

At 30 June 2006, the Consolidated Entity had a deficiency of capital and reserves of \$1,595,859,000 (31 December 2005: \$1,071,847,000). The Consolidated Entity has also experienced operating losses and negative cash flows from operating activities during the financial half-year ended on that date. As at 23 August 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 *
Term Facility	150,000	150,000	-	July 2007	Yes
Hutchison Communications (Australia) Pty Ltd	196,000	196,000	-	December 2007	Yes
Hutchison OMF Limited	1,600,000	148,750	1,451,250	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	4,871,176	3,419,926	1,451,250		

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

The undrawn facilities of \$1,451,250,000 as at 23 August 2006 exceed the Consolidated Entity's expected cash flow requirements for the 12 month period to 23 August 2007. On this basis, and on the facilities available, the Directors believe that notwithstanding the shortfall in net assets it is appropriate to prepare the financial report on a going concern basis.

2 Segment information

Business Segment

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

Geographical Segment

The Consolidated Entity operated entirely within Australia.

3 Loss for the half year

On 1 February 2006, the Company announced it had joined its mobile services, branded Orange and **3**, under the single brand **3**. On 9 May 2006, the Company announced its intention to close the CDMA network on 9 August 2006. As a result of the network closure decision, the following costs were recognised in the results for the half year ended 30 June 2006:

	2006 \$'000
CDMA network closure costs	
CDMA customer upgrade costs	97,949
Site decommissioning costs	28,000
Depreciation and amortisation expense	<u>173,264</u>
	<u>299,213</u>

Customer upgrade costs include the direct and indirect costs of upgrading CDMA customers to the 3G network. This includes handset subsidies, employee benefits and other expenses.

Site decommissioning costs principally relate to site lease termination penalties and site make good costs.

Depreciation and amortisation expense reflects the acceleration of the remaining book value of assets supporting the CDMA network excluding the spectrum licence. The 850MHz spectrum licence continues to be amortised over the life of the licence as no decision has been made as to its continuing use in the existing business or sale. The Directors have reviewed the recoverable amount of the licence and believe this to be greater than the carrying amount at 30 June 2006.

4 Events occurring after the balance sheet date

On 16 August 2006 the Consolidated Entity secured an additional \$600 million of funding from a related party entity, Hutchison OMF Limited. The facilities have a repayment date of December 2007.

Except for the above, there have been no material events subsequent to the end of the balance sheet date that have not been reflected in the financial statements.

Directors' declaration

The Directors declare that the financial statements and notes set out on pages 15 to 20:

- (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

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

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



FOK Kin-ning, Canning
Director

23 August 2006

Hutchison Telecommunications (Australia) Limited

Supplementary Appendix 4D information

NTA Backing *(Appendix 4D item 3)*

	2006	2005
Net tangible asset backing per ordinary share	(\$3.43)	(\$2.43)

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

N/A

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

Details of dividends/distributions declared or paid during or subsequent to the half-year ended 30 June 2006 – N/A

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

N/A

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

Jointly Controlled Entity

In December 2004 a controlled entity, Hutchison 3G Australia Pty Limited, established a 50% interest in a new partnership, 3GIS Partnership ('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.

The aggregate share of profits from 3GIS for the half-year ended 30 June 2006 is \$670,000 (2005: nil).

Jointly Controlled Asset

Under the same joint venture agreement, the ownership of the 50% of the existing 3G radio access network infrastructure remains with Hutchison 3G Australia Pty Limited. On this basis the network assets are proportionally consolidated under the following classifications:

	30 June 2006 \$'000	31 December 2005 \$'000
Non-current assets		
Plant and equipment	355,748	355,136
Less: Accumulated depreciation	(30,101)	(20,062)
	<u>325,647</u>	<u>335,074</u>

Hutchison Telecommunications (Australia) Limited Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on ⁺accounts to which one of the following applies.
(Tick one)
- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input checked="" type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 The audit review by the auditor is attached.
- 6 The entity has a formally constituted audit committee.



Sign here:
(Director)

Date: 23 August 2006

Print name: FOK Kin-ning, Canning

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Hutchison Telecommunications (Australia) Limited (the Company) for the half-year ended 30 June 2006 included on Hutchison Telecommunications (Australia) Limited's web site. The Company's directors are responsible for the integrity of Hutchison Telecommunications (Australia) Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Hutchison Telecommunications (Australia) Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Hutchison Telecommunications (Australia) Limited Group (defined below) as at 30 June 2006 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Hutchison Telecommunications (Australia) Limited Group (the consolidated entity), for the half-year ended 30 June 2006. The consolidated entity comprises both Hutchison Telecommunications (Australia) Limited (the Company) and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

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

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

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

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

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

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

Independence

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



PricewaterhouseCoopers



DJ Whale
Partner

Sydney
23 August 2006