Hutchison Whampoa Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 013)**

**OVERSEAS REGULATORY ANNOUNCEMENT**

Attached is the text of Annual Report 2007 released by Hutchison Telecommunications (Australia) Limited, an Australian Securities Exchange listed and a 52.03% owned subsidiary of Hutchison Whampoa Limited.

As at the date of the announcement, the Directors of Hutchison Whampoa Limited are:

**Executive Directors:**
Mr. LI Ka-shing *(Chairman)*
Mr. LI Tzar Kuoi, Victor *(Deputy Chairman)*
Mr. FOK Kin-ning, Canning
Mrs. CHOW WOO Mo Fong, Susan
Mr. Frank John SIXT
Mr. LAI Kai Ming, Dominic
Mr. KAM Hing Lam

**Non-executive Directors:**
Mr. George Colin MAGNUS
Mr. William SHURNIAK

**Independent Non-executive Directors:**
The Hon. Sir Michael David KADOORIE
Mr. Holger KLUGE
Mr. William Elkin MOCATTA
*(Alternate to The Hon. Sir Michael David Kadoorie)*
Mr. OR Ching Fai, Raymond
Mr. WONG Chung Hin

Hong Kong, 31 March 2008

HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED

Annual Report 2007

# Leading in 3G

## AGM

The Annual General Meeting of Hutchison will be held at:
The Conference Centre, Building A, 207 Pacific Highway,
St Leonards NSW 2065. Date: Monday 19 May 2008 Time: 10am

# Leading through Growth

## 2007 was a year of continued growth for Hutchison. Growth in our number of customers. Growth in EBITDA. Growth in revenue.

2007 was a successful year for our non-voice business having brought a number of innovative 3G services to the market. X-Series, Mobile Broadband, initiatives in mobile web, greater choice in Mobile TV, games and music and the latest range of handsets has us well positioned to continue as leaders in non-voice services.

Through increased use and penetration of these services, we will continue to build momentum, increase revenue and strengthen our operating performance.

**Get set for further growth in 2008.**

# Leading through Our Approach

## Our Aspiration: Indispensable desirability

- To challenge and change forever the way people use their mobiles and the internet, by creating an experience that is simply better than the one they know today.
- To build a desirable brand and business that people (customers, partners and staff) want to be a part of.
- The ultimate measure of our success will be how many people can't imagine life without 3.

# Our 3 Pillars:

## Doing the right thing

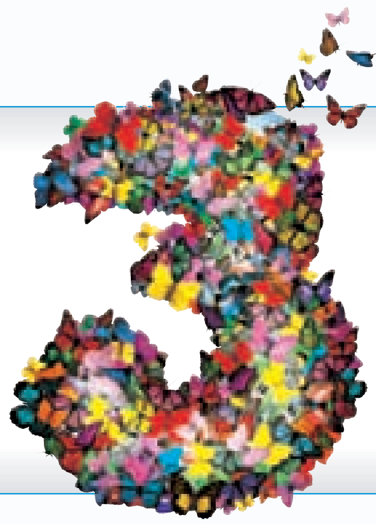
- Have real conversations.
- Make conscious commitments – keep your word.
- Be a player.
- Celebrate success.
- Listen to and learn from each other.

## Seeing the world through our customer's eyes

- Think of me in everything you do.
- Deliver on promises to me.
- Listen, understand and treat me as an individual.
- Be honest and open with me.
- Look for ways to delight me.

## Being 3

- Make everything we do simple and relevant.
- Always look for ways to make **3** better.
- Be courageous and bold in our thinking.
- Be a passionate advocate of **3.**
- Consider customers, partners and each other as family.



# Financial Highlights

## Hutchison is pleased to report a continuing strong improvement in our financial and operating position in 2007.

In 2007, with the completion of the Company's recapitalisation and ongoing strong operating performance, underpinned by a 27% increase in the customer base, Hutchison recorded a 25% increase in revenue to $1.318 billion. Operating margin grew by 30% to $911.9 million, with an average monthly margin of $76 million, up from $58.6 million.

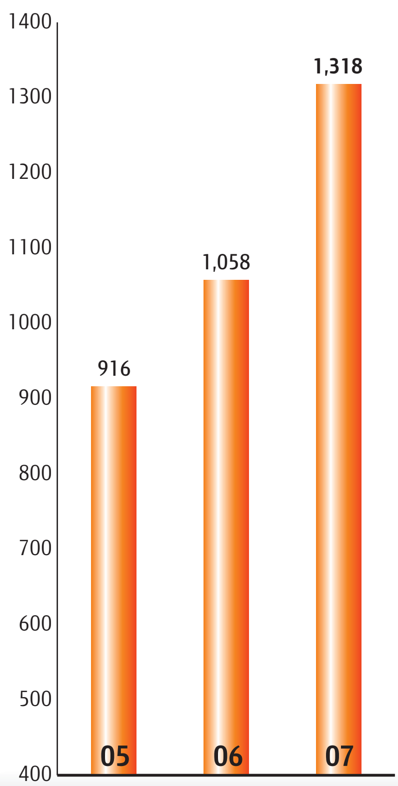
EBITDA increased to $114 million – a 278% improvement on 2006, and our net loss position reduced by 62.5% to $285.1 million.

Hutchison exited the year with positive operating cash flow, improved margin and tight control of our operating expenses. Our EBIT loss improved by 75% from $495 million to $123.9 million. Growth is expected to continue, and with ongoing improvements on our net loss and EBITDA positions, our next goal is to exit 2008 EBIT positive.

### Total Revenue

**$1.3 billion**

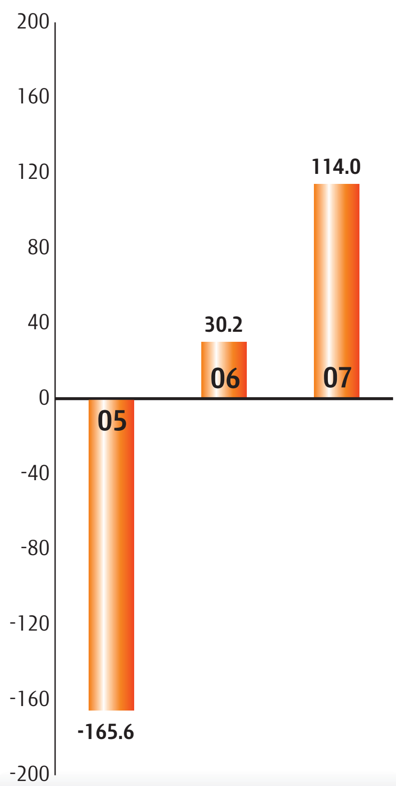
an increase of 25%




### Positive EBITDA

**$114 million**

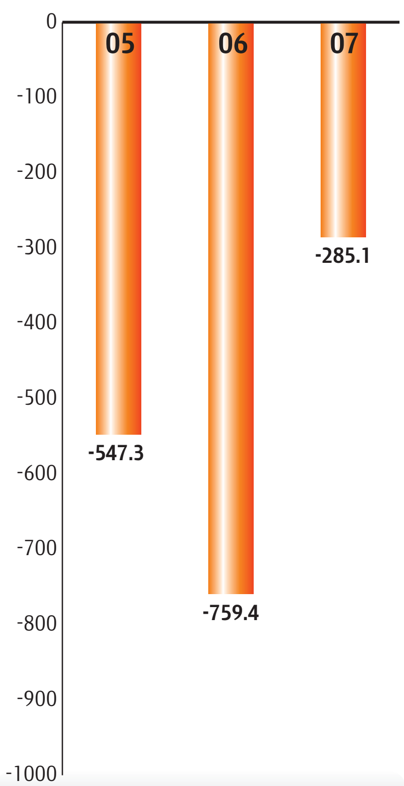
an increase of $83.8 million



## Net Loss

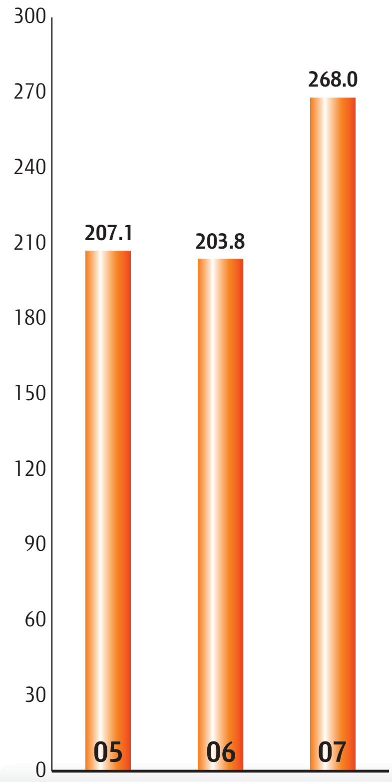
**$474 million improvement**

to $285.1 million




## Capex

**$268 million**




## Total Margin

**30% increase**

to $911.9 million

## Average Monthly Margin

**$76 million**

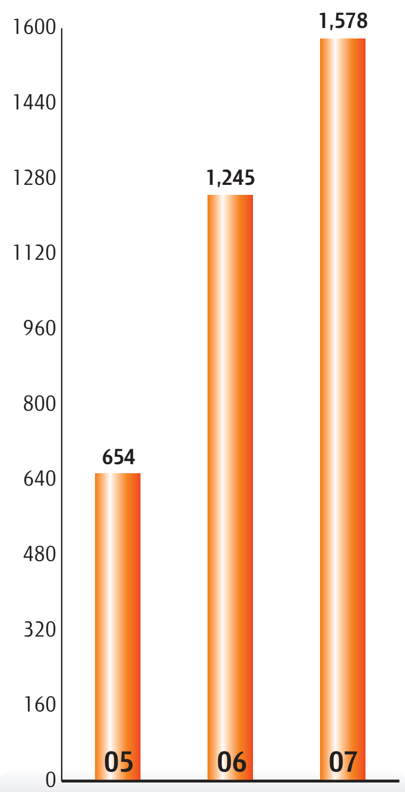
increase from $58.6 million

# Operating Highlights

### Total Customers

**27% increase**

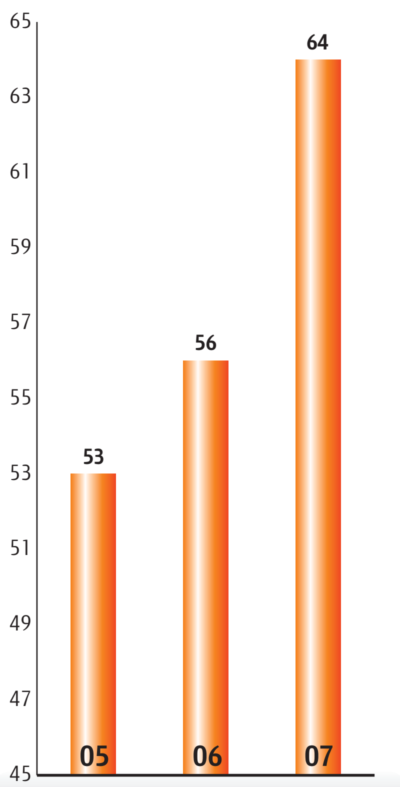
to 1,578,000




### Mobile Data and Planet 3

**64% of customers**

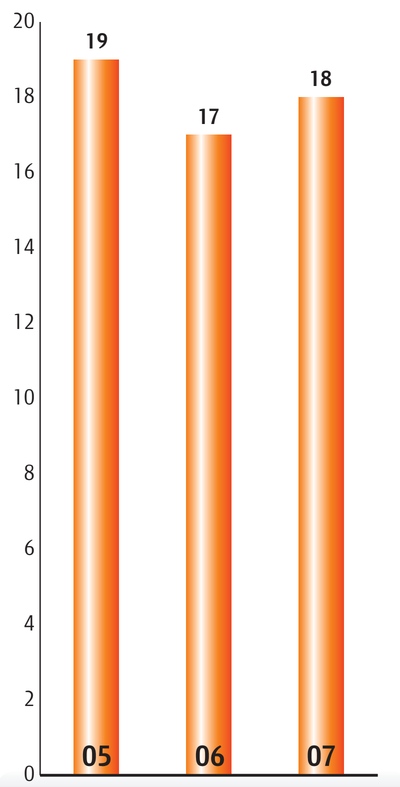
pay for Planet 3 and mobile data each month




### Non-Voice Average Revenue

**$18**

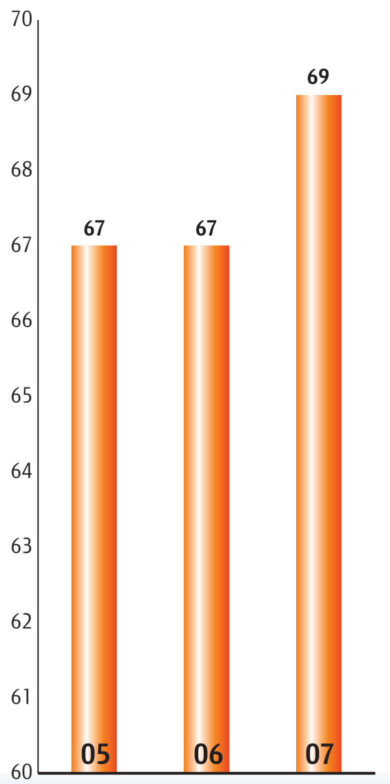
per user



Average Revenue

$69

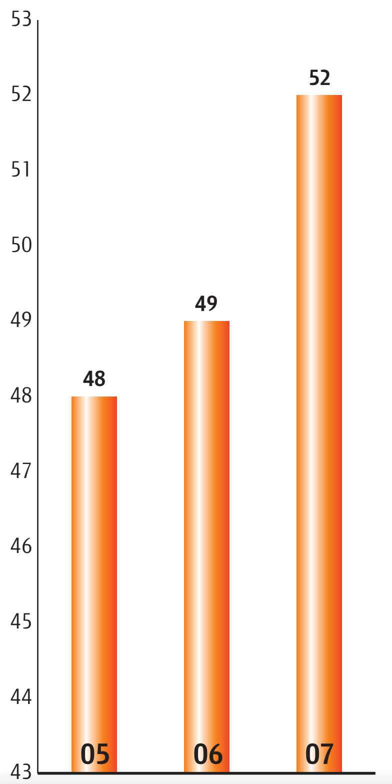
per user




Margin

$52

per user




Mobile Broadband

195,000

subscribers, a 138% increase in six months

Postpaid Churn

1.1%

low and steady

Customers

89% post paid

of total customers

# Leaders in 3G

## The year ending 31 December 2007 produced significant growth for Hutchison.

I am pleased to report that the Company's total revenue increased by 25 % to $1.318 billion while, despite increasing downward pressures on margin for the industry, total margin increased from $703.9 million to $911.9 million.

The Company reported a positive EBITDA result of $114 million, a significant and pleasing improvement of $83.8 million and a 278% increase on the previous period.

The Company also reduced its loss by $474.3 million, or 62.5% down to $285.1 million.

### Successful Capital Restructure

During the first half of 2007, the Company successfully completed its recapitalisation, raising $2.85 billion from a rights issue of convertible preference shares. The proceeds of the capital raising were used to retire a large portion of the Company's debt, reducing the Company's finance cost from $264.8 million in 2006 to $161.2 million in 2007, a decrease of $103.6 million.

The recapitalisation delivers annual interest savings of $250 million and an overall improvement in the net debt position. It has also reduced exposure to the current volatility in credit markets.

Telecom Corporation of New Zealand Limited (TCNZ) re-affirmed its interest in the Company during the year by moving its 19.94 % shareholding in Hutchison 3G Australia Holdings Pty Limited to a 10 % shareholding in the Company. TCNZ also has an option to increase this stake to 19.94 % of the Company during 2008 for an exercise price between $275 million to $300 million, depending on when the option is exercised. As part of the transaction, TCNZ's subsidiary AAPT has transferred its 850MHz spectrum licences to the Company. These licences, in combination with our existing 850MHz licences, give us a national 850MHz spectrum footprint.

### Customer growth

**3**'s net customer growth continues to show a positive trend year on year. For the full year ended 31 December 2007, the Company recorded a 27 % increase in customer growth to 1.578 million customers. Notably, the first half of the year saw **3** record the industry's highest net customer additions.

We believe attention to customer growth, including retention, is key to achieving the benefits of scale required to maximise the operating margin going forward. We also continue to invest in initiatives that change behaviour of mobile users.


**EBITDA**

## $114 million
278% improvement

**Total Revenue**

## $1.318 billion
25% increase

## 3G services enter new phase of growth

Non-voice contribution continued to strengthen following the launch of new services in 2007 including HSDPA, X-Series and high-speed Mobile Broadband.

As a result, the number of customers billed for non-voice services (excluding SMS) increased to 64 % of the base (on a rolling 12-month basis).

In March, **3** launched X-Series, bringing services previously reserved for the PC to the mobile with generous data allowances. Soon after, the Company completed its upgrade to High Speed Downlink Packet Access (HSDPA) delivering average speeds between 600kbps to 1.5Mbps. Following this, **3** relaunched Mobile Broadband in July. By the end of December, 195,000 subscribers had a mobile broadband USB modem or card, an X-Series subscription or were using their mobile phone as a modem – a 138 % increase in six months.

## Global benefits

The Company acknowledges Hutchison Whampoa's supportive role in providing **3** in Australia economies of scale in procurement of technology and handsets, cost sharing and the combined resources that result in new systems and innovation.

Both X-Series and the exclusive 3 Skypephone were products launched in other **3** countries as well. The Australian launches benefited from the shared resources that a global company can offer while still delivering a locally targeted product.

## Looking forward

In 2007, the Australian market has experienced significant growth in the 3G market. With our early leadership in 3G and our focus on one technology, we have been well placed to benefit from this shift from 2G, while our delivery of innovative services has established us as leaders in non-voice services. Increased usage and penetration of these services, combined with increasing customer numbers will continue to drive margin. The Company heads into 2008 in a strong position, focussed on growth and improving financial performance.

**Fok Kin-ning, Canning**
Chairman

# Leaders in Innovation

## Strong customer growth, new non-voice products and services and significant increases in revenue and margin underpins the momentum of the business and 3's growing brand strength.

### Strong sales

In 2007, we grew our total customer base by 333,000, an increase of 26.7% on 2006 and bringing us to a total of 1.578 million customers at year end.

### Strong financials

Strong growth in **3**'s customer base and non-voice services saw our total revenue increase in 2007 by 24.6% to over $1.3 billion. As a result, we grew our margin to $911.9 million, up 29.5% on 2006. The average monthly margin increased to $76 million, up from $58.6 million.

For the second year running, we have reported strong growth in EBITDA, which increased by $84 million to $114 million .

Our EBIT position has improved by nearly 75%, from a loss of $494.6 million to $123.9 million.

Improved growth and EBITDA performance has contributed to a significant improvement in our net loss position to $285 million, which is a $474 million improvement on 2006.

Monthly non-voice ARPU increased 6.3% to $18.31 and our pure 3G non-voice ARPU – excluding SMS - grew to $7.77, an increase of 11.3%.

### The launch of Mobile Broadband

In July, following completion of the HSDPA network upgrade, **3** successfully relaunched high speed, high value Mobile Broadband.

Our leadership in Mobile Broadband was a significant contributor to **3**'s non-voice growth in late 2007 and has also contributed to rapid growth in the customer base and margins.

By the end of December, the number of Mobile Broadband subscriptions (which includes accessing the internet via an X-Series subscription or through a USB card or modem) reached 195,000 – an increase of 138% in just six months.

**3** will continue to upgrade its network in line with the release of attractive handsets and devices for our customers. With the upgrade of the network to HSDPA at 3.6 Mbps and HSUPA complete, the next speed increase to 7.2 Mbps will begin in 2008.

### Other non-voice growth

In addition to non-voice growth through Mobile Broadband, **3**'s content services also continued to grow.

During 2007, we delivered more popular branded content services including Mobile TV, sport and news. Customers experienced over 120 million content events, 5.7 million music events and downloaded 1.65 million games.

**3**'s mobile TV continued to expand with new programs including Fox Sports 24 hour news, South Park and the ABC's Summer Heights High. Cricket TV continued to be popular with customers and was once again a clear demonstration of the value of integrating our sponsorship of the Australian Test Cricket Team and marketing throughout the Australian Test Cricket season.


Mobile Broadband

**Over 195,000**

Mobile Broadband subscriptions, up 138% in 6 months

Content Events

**120 million**

content events were experienced

## Focus on customer experience

In 2007, the strong growth in customers was coupled with a low level of churn (1.1%), which is a result of improvements in customer satisfaction. Our rising customer satisfaction levels have been positively influenced by our continued investment in customer care and retention through customer life-cycle management, the introduction of **3** Service Centres, a market leading range of handsets and the extension of **3**'s award-winning self-care product My3.

**3** established its exclusive Service Centres during the year, creating a simpler, faster and more efficient way to repair handsets, reducing turnaround times and improving the customer experience.

In an increasingly style-driven market, it is important that **3** continues to offer a wide range of handsets with improved form, features and functionality. In 2007, we added 20 handsets to the range, including the exclusive 3 Skypephone, which was launched in November.

**3** extended My3 during the year to allow customers more visibility and control over their **3** account. Now accessible from handsets and on-line, My3 has reduced the number of customer calls to 3Care for services such as getting an account balance, and provides customers with greater ability to monitor and control their monthly spend.

## Outlook

**3** has continued to perform well as the competitive environment for 3G customers has intensified, with higher subsidies from competitors than previously seen. 2007 has proved to be a year of continued growth for **3**, with significant increases in customer base, revenue and margin. Usage of non-voice services has continued to build. As non-voice services continue to grow, new revenue opportunities for **3** also grow, including mobile advertising, with a high level of usage of **3**'s content portal Planet 3. With an aggressive and rapidly growing mobile broadband market, and having gained early pace, **3**'s growth in Mobile Broadband looks set to continue.

Our strong operational performance is on track in 2008 and the Company expects to exit the year EBIT positive.

**Nigel Dews**
Chief Executive Officer

# Leaders in New Services

During 2007, in a growing 3G market with highly subsidised offers and aggressive marketing, 3 continued to build momentum and scale.

By offering new and exciting non-voice services, including Mobile Broadband, 3 remains well placed to benefit from the market shift towards 3G.

# 3G Services Overview

## Mobile Broadband

Mobile Broadband is fast, simple, affordable mobile or wireless internet, which customers use to get all the benefits of the internet while they are on the go.

Mobile Broadband includes accessing the internet through a laptop card or modem, a mobile or with an X-Series subscription.

- **3 Mobile Broadband** USB Modem plugs into a Mac or Windows laptop, as well as a desktop PC.
- **3 Mobile Broadband Card** also plugs into a Mac or Windows laptop, as well as a desktop PC and is compatible with both PC Express and PCMCIA PC card slots.
- **3 Mobile as a Modem** – customers can also use their **3** Mobile as a modem.
- **Mobile Web** allows customers to access the internet directly from their mobile phone.
- **X-Series** gives customers the online world on their mobile, including Google, Skype, Windows Live Messenger, Yahoo!7 and ebay, as well as generous data allowances on a range of plans.

## Planet 3

Planet 3 is a world of entertainment and information on **3**. Using Planet 3, customers can get organised, stay in the know and stay in touch.

Planet 3 gives customers the latest in:

- News and information
- Sport
- Mobile TV
- Music
- Games and entertainment
- Communities, Chat, Instant Messaging and Dating
- Premier
- My3 account information

Customers can also share photos, find a local restaurant or gig, watch movie trailers, and much more.

New to Planet 3 in 2007:

- MySpace
- Facebook
- South Park
- ABC TV's Summer Heights High
- 24 hour Fox Sports News
- True Local

## Communications

The communications services that **3** offers are:

- Voice and Video
- SMS and MMS
- Mobile Email
- Instant Messaging
- 3 Sync
- Talk International
- 3 Like Home

New Value Packs, including the Explorer Packs, were launched in 2007, providing customers with even more reason to try content and communications on their mobile.


**Music**

**5.7 million music events**
were experienced by
customers on 3 mobile

**Games**

**1.65 million games**
downloaded on 3

## Non-voice services

During 2007 **3** continued to deliver popular content services on its Planet 3 portal including Mobile TV, music, sport, news and weather. In total, customers experienced 120 million content events, up from 92.5 million in 2006.

64% of **3**'s customers paid for at least one content event each month, up from 56% in 2006.

**3** continued to experience strong uptake of non-voice services with non-voice ARPU rising 6.3% to $18.31, representing 26.7% of the total monthly ARPU. 3G ARPU (non-voice ARPU excluding SMS) increased by 11.3% to $7.77.

SMS use also remained strong throughout the year increasing by 82% with 1.4 billion SMS sent.


## Mobile TV, Games and Music

**3**'s Mobile TV continued to expand with new programs including South Park, the ABC's Summer Heights High and a 24-hour Fox Sports News channel.

Customers enjoyed live coverage from the cricket including the **3** mobile Ashes Series early in the year, the Australia vs Sri Lanka and the Australia vs India Test Series in late 2007.

In 2007, **3** introduced 'The Pitch', the first mobile TV program written and produced in house at **3**. This new made-for-mobile program showcased our favourite summer sport exclusively for **3** customers.

During the year, customers also downloaded 1.65 million games and experienced 5.7 million music events.

## Planet 3 and Mobile Web

On Planet 3, customers can now access truelocal, a location-based directory and popular social community websites such as Facebook and MySpace.

**3** has also introduced bonus sites, new free-to-browse web sites funded by advertisers. These sites include drive.com.au, domain.com.au and The Good Food Guide.

## Mobile Broadband

**3** relaunched its Mobile Broadband proposition in July by combining a high value offer, a simple device and a fast network.

Our strong offer attracted new customers and allowed current customers to combine mobile and Mobile Broadband services.

Mobile Broadband has become a significant contributor to **3**'s non-voice growth with 195,000 Mobile Broadband subscribers (which includes accessing the internet through a card or modem, a handset or with an X-Series subscription) by 31 December 2007. This was a 138% increase on the 82,000 subscriptions at the end of June.

## Having a leading range of mobile handsets is critical for success in today's style-driven market.

NOKIA
Connecting People

Sony Ericsson

htc

LG

palm


## Skype

In October, 3 launched 3 Skypephone, the next step in the mobile revolution.

Exclusive to **3**, 3 Skypephone is the first free VoIP service available on a mobile offering customers free Skype-to-Skype calls anywhere in the world, at the touch of a button.

Besides the 4,000 minutes of free Skype-to-Skype calls and 10,000 free Skype SMS messages each month, the 3 Skypephone can also access our other 3G services, including mobile TV and the internet.

3 Skypephone™

## Handsets

Having a leading range of mobile handsets is critical for success in today's style-driven market.

In 2007, **3** continued to offer a wide range of handsets with improved form factor, features and functionality. We introduced 20 handsets to the range during the year including models from Nokia, LG, Sony Ericsson and Dopod/HTC, as well as the Palm Treo and the exclusive 3 Skypephone.

There are now 30 handset models in **3**'s range. 16 are HSDPA-enabled, capable of delivering faster download speeds while 19 handsets are X-Series enabled.


3 Service Centres open in

**Sydney, Melbourne, Brisbane, Adelaide and Perth**

## Customer care

External churn remains low with post-paid churn at 1.1% for the 12 months to December 2007. Customer satisfaction levels, as measured by both internal and external surveys, have further improved.

To support our ongoing focus on customer care and retention, during 2007 we opened more Service Centres and extended our award-winning self-care system, My3.

The Company introduced **3**'s Service Centres in response to customer demand for a simpler and quicker way to have a handset repaired directly by **3**. The service centres currently carry out repairs on Nokia, Sony Ericsson, Motorola and HTC handsets and we expect to add other models during 2008. **3**'s target is to repair and return to the customer 90% of handsets within five working days – a notable improvement on previous repair timeframes.

**3** Service Centres are in Sydney, Melbourne, Brisbane, Adelaide and Perth.

We extended My3 during the year to allow customers more visibility and control over the management of their **3** account. Customers can access My3 from their handset or on-line, putting customers directly in touch with their spend information and reducing the number of calls to 3Care.

## Network

During 2007, the 3GIS joint venture (with our partner, Telstra Corporation Limited) added a further 110 sites to the network bringing the total number to 2,619.

In line with the Company's roadmap for network development, we completed the initial upgrade to enable HSDPA, at 3.6Mbps, in March. The roll out of High Speed Uplink Packet Access (HSUPA) was also completed, allowing customers an uplink speed of 1.4Mbps.

We will continue to upgrade our network in line with the release of attractive handsets and devices for our customers. With the upgrade of the network to HSDPA and HSUPA complete, the next speed increase to 7.2Mbps will begin in 2008 to correspond with the availability of devices able to take advantage of these speeds.

Cricket on 3

**Over 2 million**
cricket events were experienced on 3

## Sponsorships

In 2007, **3** continued the successful sponsorship of the Australian test cricket team and the Essendon Football Club.

Thanks to our alliance with Cricket Australia, we once again offered fans exclusive cricket action on their **3** mobile.

During the **3** mobile Ashes series, customers used 2 million cricket services from **3** mobile – whether they were watching the Cricket TV channel with live, replay and archive footage, checking out video highlights from the day's play, playing cricket games on their mobile, reading or watching the cricket news, or downloading cricket ring tones and pictures.

During the 2007 Cricket World Cup, customers could watch 24/7 Cricket TV, as well as choose to view video highlights for every match, live scores, fixtures and ladders, SMS score alerts at the end of each match, and match previews and reviews.

Through **3**'s sponsorship of Essendon Football Club we have continued to enjoy working with the team on and off the field with players taking part in a series of appearances at **3** stores around Melbourne. Players met the fans, signed autographs, talked tactics and even offered footy tips.

# Leading by Example

## Our staff, our community and our environment are high priorities for us.

We undertook a number of initiatives during 2007 to ensure a happy staff and a safe workplace, and we assisted the community and environment.

### Our People

At Hutchison, exceptional people are key to the ongoing success of our business. That's why we continuously strive to create a culture where our employees feel valued, are recognised for their contribution and are challenged to grow both professionally and personally.

Hutchison currently employs 1,594 people within our business. Hutchison shares with **3** UK a high technology customer contact environment that also employs highly trained and talented people focused on providing customer care.

This year we brought together our two offices in Brisbane to one central location in Toowong. The Toowong building is a great space for the team, who are already enjoying the new environment and the benefits of being in the one location.

During 2007, we continued to develop our culture and employees through programs which identify and develop behavioural and process improvements to enable and encourage organisational performance.

All staff participated in our compulsory training sessions on discrimination and harrassment and how to keep security top of mind in our **3** Secure courses.

Leadership drives culture which drives performance. Developing our leaders as role models is key to our program's success.

# Corporate Social Responsibility continued

Some of the management and staff initiatives implemented during the year include:

## Our Leaders:

- Leadership Development programs focused on self awareness and leadership impact
- Leadership conferences to ensure leadership alignment
- Ongoing analysis of recruitment systems and processes to ensure a selection assessment for a cultural fit
- Talent management program

## Our Employees:

- New employee programs that outline the **3** culture
- Personal growth workshops
- Team development workshops
- Ongoing analysis and refinement of induction processes
- Review of our rewards and recognition programs
- Community assistance programs

We continue to measure our culture and engagement levels regularly to ensure the success of any Human Resource strategy.

## Community

**3** supports a number of community programs and initiatives that facilitate a greater connection for our staff with charities and not-for-profit organisations.

## Spirit of 3

In 2007, **3** launched the Spirit of 3 program, which provides the opportunity for our staff to make a difference to key charities selected by them. Through an employee contribution program, staff can volunteer their time to a charity, raise funds through employee led-activities or make a donation direct from their pay through workplace giving.

The Spirit of **3** charities include Cystic Fibrosis, SANE Australia, Royal Institute for Deaf & Blind Children, Youth Off The Streets, The Mirabel Foundation, The Spot Youth, Youth Focus and McGrath Foundation.

As well as employee donations and participation, **3** assisted the community through $10,000 donations to:

- Cystic Fibrosis
- The Royal Institute for Deaf and Blind Children
- SANE Australia
- Youth Off The Streets

## Employment

# 1,594 people

currently employed by Hutchison

## Spirit of 3

# $72,000

in contributions to our key charities

Last Christmas, employees rallied behind the Spirit of 3 charities through The Spirit of 3 Wishing Tree. Gift tags outlining things charities needed for Christmas were placed on the Wishing Tree and employees were able to select and purchase gifts.

**3**'s My Charity Fund, part of the Spirit of 3 program, enables employees to raise funds for charities and causes they are personally involved in. During 2007, employees participated in the Leukaemia Foundation's Shave for a Cure, Can Too for Cancer Research as well as several other charity events.

During the Boxing Day Test, **3** raised money for the McGrath Foundation – a charity which raises funds for Breast Cancer Care nurses across Australia. **3** donated funds for every catch made by Adam Gilchrist (while wearing his pink gloves!). **3** raised $32,000 in total.

## Environment

**3** actively participates in MobileMuster, an Australian Mobile Telecommunications Association program that recycles old mobile phones and accessories. Customers can drop off their old mobile phone and its accessories (including batteries and chargers) to any **3** Store or dealer or one of our **3** Service Centres. In 2007, **3** recycled over 10,000 kilograms of mobiles and accessories.

**3** encourages all employees to recycle. The Sydney office, where there is the highest concentration of employees, recycles paper, cans and bottles. Today the office recycles over two thirds of its waste. **3** is now extending the program to all locations in a bid to recycle over 70% of waste. We also recycle our print and toner cartridges through Planet Ark.

With a focus on reducing our impact on the environment, customers, staff and most of our investors will now access this year's annual report electronically.

# Our Leadership

### Nigel Dews
**Chief Executive Officer**

Nigel Dews was promoted to Chief Executive Officer in January 2007. Nigel joined Hutchison in November 2003 as Director - Sales, Marketing and Product, was responsible for sales, distribution, marketing and for the development of mobile content, products and services. Prior to joining Hutchison, Nigel held senior management positions at Fairfax Media and before that, was a senior consultant at McKinsey & Company and graduate Economist with the Reserve Bank of Australia.

### Tanya Bowes
**Director, Communications and Corporate Affairs**

Tanya Bowes joined Hutchison in May 2005 and is responsible for the Company's communications and corporate affairs. In this role, Tanya is focused on building upon Hutchison's positive reputation with its key stakeholders including media, industry analysts, and Hutchison's employees. Prior to joining Hutchison Tanya headed communications for PeopleSoft across Japan and Asia Pacific, and previously led communications for companies in Australia and the UK.

### Greg Bourke
**Director, Human Resources**

Greg Bourke joined Hutchison in January 1999 and is responsible for leading Hutchison's people development strategies and driving its high-performance culture. Prior to Hutchison, Greg was Director, Human Resources for Digital Equipment Corporation, where he was responsible for major restructuring and change programmes and, most notably led the merger planning discussions with Compaq, resulting in a smooth transition to the new company. Prior to his employment at Digital Equipment Corporation, Greg held HR management positions at Mobil Oil and Trans Australia Airlines.

### Louise Sexton
**General Counsel and Company Secretary**

Louise Sexton joined Hutchison in September 1998 with extensive experience as General Counsel and Company Secretary in listed public companies across a number of high technology industries in Australia. Louise has also worked in the Federal Attorney-General's Department and one of Australia's largest law firms.

# Team

## Tim Finlayson
**Chief Financial Officer**

Tim Finlayson joined Hutchison in July 2003 from PricewaterhouseCoopers where he held a variety of senior roles in Sydney, Singapore and Vietnam. Immediately prior to joining Hutchison, Tim's role was Tax Partner and Leader of PWC's Tax and Legal Services Practice in Indochina. Tim was appointed CFO in 2006.

## Michael Young
**Director, Technology and Customer Services**

Michael Young joined Hutchison in May 2001 as Director of IT and Billing and was later appointed to the role of Chief Technical Officer with responsibility for the networks and IT functions of both the Company's 2G and 3G operations. In August 2003, Michael's responsibilities expanded to include customer care and 3G product delivery. Prior to Hutchison, Michael was Vice President of IT, Asia Pacific at Campbell Soup and Arnott's Biscuits.

## Noel Hamill
**Director, Sales, Marketing and Product**

Noel Hamill joined Hutchison in May 2007 and is responsible for the company's sales, distribution and marketing for **3**'s mobile phone and mobile broadband services across both consumer and business markets. Noel is also responsible for the development of **3**'s content services, and the sourcing and supply of **3**'s handsets. Prior to joining Hutchison, Noel spent much of his career with Optus in Australia, where he held a number of positions over the past nine years. Noel has also worked for Cable & Wireless in Singapore and London as well as Hong Kong Telecom in Hong Kong.

# Our Board

### FOK Kin-ning, Canning (Chairman)
**BA, DFM, CA (Aus)**

Fok Kin-ning, Canning, aged 56, has been an executive director since 1984 and group managing director since 1993 of Hutchison Whampoa Limited ("HWL"), director since 1992 and chairman since 2002 of Hutchison Harbour Ring Limited ("HHR"), chairman of Hutchison Telecommunications International Limited ("HTIL") since 2004, executive director since 1985 and chairman since 2005 of Hongkong Electric Holdings Limited ("HKEH"), chairman of Partner Communications Company Ltd. ("Partner") since 1998 and Hutchison Global Communications Holdings Limited ("HGCH") (which ceased to be a public listed company in July 2005) since 2003, co-chairman of Husky Energy Inc. ("Husky") since 2000, deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKIH") since 1997, and director of Cheung Kong (Holdings) Limited ("CKH") since 1985. He was previously a director of Hanny Holdings Limited from 1992 to 2005 and Panva Gas Holdings Limited from 2002 to 2006. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of the Australian Institute of Chartered Accountants. Mr Fok was appointed as a Director on 8 February 1999.

### Barry ROBERTS-THOMSON (Deputy Chairman)

Barry Roberts-Thomson, aged 58, was the Managing Director of Hutchison from its inception in 1989 until September 2001. In his capacity as Deputy Chairman and Executive Director, Mr Roberts-Thomson represents Hutchison in government relations and strategic projects. Mr Roberts-Thomson was appointed as a Director on 14 February 1989.

### CHOW WOO Mo Fong, Susan (Director)
**BSc**

Chow Woo Mo Fong, Susan, aged 54, has been an executive director since 1993 and deputy group managing director since 1998 of HWL, executive director of CKIH since 1997, HHR since 2001 and HGCH (which ceased to be a public listed company in July 2005) since 2003, director of HTIL since 2008, HKEH since 1996 (executive director since 2006), Partner since 1998 and TOM Group Limited ("TOM") since 1999. She is a solicitor and holds a Bachelor's degree in Business Administration. Mrs Chow was appointed as a Director on 15 February 2006 and as an Alternate Director to Mr Fok, Mr Lai and Mr Sixt on 8 May 2006, 26 February 2007 and 4 May 2007 respectively.

## Justin Herbert GARDENER (Director)
**BEc, FCA**

Justin H. Gardener, aged 71, is a director of a number of private and publicly listed companies including Austar United Communications Limited (appointed 1999). From 1961, and until his retirement in 1998, Mr Gardener held a variety of positions with Arthur Andersen, becoming a partner in 1972 and for the last ten years in a management and supervisory role for Asia Pacific. Mr Gardener was appointed as a Director on 2 July 1999.

## LAI Kai Ming, Dominic (Director)
**BSc, MBA**

Lai Kai Ming, Dominic, aged 54, has been an executive director of HWL since 2000, executive director since 1994 and deputy chairman since 2001 of HHR, director since 2000 and deputy chairman since 2003 of HGCH (which ceased to be a public listed company in July 2005). He was previously a director of priceline.com Incorporated from 2001 to 2006. He has over 25 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration. Mr Lai was appointed as a Director on 19 May 2004 and as an Alternate Director to Mrs Chow and Mr Sixt on 8 May 2006.

## Kevin Steven RUSSELL (Director)
**BA, CA**

Kevin Steven Russell, aged 41, is chief executive officer of Hutchison 3G UK Limited, a wholly-owned subsidiary of HWL. From 2001 to January 2007, he was chief executive officer of the Company. Previously he was chief financial officer of Partner. Mr Russell joined HWL in 1995 and was promoted to director of finance and operations in 1996. Prior to joining HWL, he worked at an accountancy firm, Ernst & Whinney. He holds a Bachelor of Arts degree and is a member of the Institute of Chartered Accountants of Scotland. Mr Russell was appointed as a Director on 19 October 2007.

## John Michael SCANLON (Director)

John Michael Scanlon, aged 66, is a special venture partner to Clarity Partners LLP, a private equity firm. From 1965 through to 1988 his career was with AT&T, primarily Bell Labs, rising to group vice president of AT&T. Mr Scanlon then went on to become president and general manager of Motorola's Cellular Networks and Space Sector, founding CEO of Asia Global Crossing, CEO of Global Crossing and chairman and CEO of PrimeCo Cellular. Mr Scanlon was appointed as a Director on 11 July 2005.

## Frank John SIXT (Director)

**MA, LLL**

Frank John Sixt, aged 56, has been an executive director since 1991 and group finance director since 1998 of HWL, chairman of TOM since 1999 and TOM Online Inc. (which ceased to be a public listed company in September 2007) since 2003, executive director of CKIH since 1996, HKEH since 1998 and HGCH (which ceased to be a public listed company in July 2005) since 2004, and director of CKH since 1991, HTIL since 2004, Husky since 2000 and Partner since 1998. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada. Mr Sixt was appointed as a Director on 12 January 1998 and as an Alternate Director to Mrs Chow and Mr Lai on 25 February 2008.

## Roderick James SNODGRASS (Director)

**BCA, CA**

Roderick James Snodgrass, aged 41, is group strategy director of TCNZ. Mr Snodgrass joined TCNZ in 1998, after seven years in various roles in the oil and gas exploration and production industry. His previous positions within TCNZ have included general manager wired division, including TCNZ's retail fixed-line voice, data and internet businesses and general manager of Xtra, TCNZ's online division. He was a director of Xtra! Ltd from 2002 to 2006 and has been a director of Yahoo!Xtra Ltd since January 2007. Mr Snodgrass was appointed as a Director on 15 February 2008.

# Corporate Governance

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

## Board of Directors and its Committees

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

The Board's responsibilities include:

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

## Composition of the Board

The Board comprises nine Directors whose appointment reflects the shareholdings of the Company and the need to ensure that the Company is run in the best interest of all shareholders. Other than Mr Roberts-Thomson, all the Directors, including the Chairman, Mr Fok, are non-executives. The Board has adopted the definition of independence contained in the ASX best practice recommendations. In light of this definition, the Board considers that independent Directors are not substantial shareholders or officers of substantial shareholders, have not been employed as an executive of Hutchison or its majority shareholder nor are they associated with any significant supplier, customer or professional adviser of Hutchison. Further, an independent Director does not have any significant contractual relationship with Hutchison nor is there any business relationship which could materially interfere with a Director's ability to act in the best interest of the Company.

Mr Gardener and Mr Scanlon, being the only Directors who are not an officer of a significant shareholder, are considered by the Board to be independent Directors. In light of the majority ownership by Hutchison Whampoa Limited (HWL), the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of Directors or the Chairman be independent.

Subject to the Corporations Act requirements in relation to the retirement of Directors, the current Directors have not been appointed for a specified term.

Details of the Directors' experience are set out on pages 26 to 28.

In connection with their duties and responsibilities, Directors and Board committees have the right to seek independent professional advice at the Company's expense. Prior written notification to the Chairman is required. No formal procedure for performance evaluation of the Board and its members has been implemented as the Board considers that regular ongoing informal assessment is more appropriate. Accordingly consideration of the performance of the Board forms part of the regular Board process when the Board conducts deliberations without representatives of management present at each Board meeting.

## Committees

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

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

## Audit Committee

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through review and supervision of Hutchison's financial reporting process and internal control system. All members of the committee are non executive Directors and the composition of the committee meets the requirements of the ASX Listing Rules. The Audit Committee has appropriate financial expertise and knowledge of the telecommunications industry. Details of the committee members' qualifications, expertise, experience and attendance at Audit Committee meetings are set out on pages 26 to 28 and 33.

The Audit Committee considers the annual and interim financial statements of the Company and its subsidiaries and any other major financial statements prior to approval by the Board, and reviews standards of internal control and financial reporting within Hutchison. The Audit Committee is also responsible for overview of the relationship between Hutchison and its external auditors, including periodic review of performance and the terms of appointment of the auditors. This committee considers any matters relating to the financial affairs of Hutchison and its subsidiaries and any other matter referred to it by the Board. The main responsibilities delegated to the committee are to:

- Consider and recommend to the Board the appointment and remuneration of the Company's external auditors and to determine with the external auditors the nature and scope of the audit or review and approve audit or review plans;
- Evaluate the performance of the external auditors, including assessment of the auditor's independence taking into account factors which may impair the auditor's judgement in audit matters related to Hutchison;

- Review the interim and annual accounts of the Company before their submission to the Board;
- Ensure Hutchison's practices and procedures with respect to related party transactions are adequate for compliance with the relevant legal and stock exchange requirements;
- Review the risk management practices and oversee the implementation and effectiveness of the risk management system;
- Review the internal audit programmes, the adequacy of resource of the internal audit function and the appointment and replacement of the senior internal audit officer;
- Review with management and the external auditors the presentation and impact of significant risks and uncertainties associated with the business of Hutchison and their effects on the financial statements of Hutchison; and
- Ensure corporate compliance with applicable legislation.

## External auditors

The performance of the external auditors is reviewed annually and applications for tender of external audit services will be requested as deemed appropriate. PricewaterhouseCoopers were appointed as the external auditors in 1998. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies every five years, and in accordance with that policy the current audit engagement partner was appointed in May 2007.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 27 to the financial statements. The Company's policy in relation to awarding non-audit work to the external auditors requires that all proposed non-audit service assignments in excess of $100,000 will be approved by the Audit Committee and will only be awarded to the external auditors after completion of a competitive tendering process which demonstrates that the external auditors are the preferred service provider on the basis of an objective assessment of price, capabilities and commitment. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

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

## Governance, Nomination and Compensation Committee

The committee comprises non-executive Directors and is chaired by the Chairman of the Board. Details of the committee members' qualifications, expertise, experience and attendance at compensation committee meetings are set out on pages 26 to 28 and 33.

### Compensation responsibilities -

This committee is responsible for the review of remuneration and other benefits, and Hutchison's policies in relation to recruitment and retention of staff, details of which are set out in the Directors' Report on pages 34 to 38. This committee also reviews and makes recommendations to the Board on remuneration policies and other terms of employment applicable to the Chief Executive Officer, senior executives and the Directors themselves. The committee will, where relevant, obtain independent advice from external consultants on the appropriateness of the remuneration policies of Hutchison.

Each member of the senior executive team signs a formal employment contract, incorporating a formal job description, at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Executive remuneration, including that of Executive Directors, is reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth and relevant comparative information. Executives are also eligible to participate in the employee share schemes. Information relating to these schemes is set out in the Remuneration Report and note 26 to the financial statements. Details of the compensation philosophy and practice of the Company are set out in the Directors' Report. The remuneration of Directors who are not executives of either the Company or other companies within the Hutchison Whampoa Group comprises only a fixed component and is not performance based. Directors who are executives of either the Company or other companies within the Hutchison Whampoa Group or of TCNZ do not receive remuneration for their services as Directors.

### Governance and nomination responsibilities -

#### Related to Board Performance and Evaluation

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

#### Related to the Board of Directors

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

#### Related to Committees of the Board of Directors

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

## Business risk

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

## Ethical standards

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

## Directors' and senior executives' dealings in HTAL shares

The Company requires that:

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

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

Directors and senior executives are prohibited from trading in HTAL shares if the Director or officer is in possession of price sensitive information or would be trading for a short term gain. All managers within Hutchison have also been advised of their obligations in regard to price sensitive information. Directors and senior executives are also aware of their obligations to ensure that they do not communicate price sensitive information to any other person who is likely to buy or sell HTAL shares or communicate that information to another party.

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

## Continuous disclosure and shareholder communication

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

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

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

## Related party transactions

Hutchison draws great strength from its relationship with HWL and other companies in the HWL Group in relation to both its financial support, management expertise, joint procurement programmes and shared research and development costs. During 2007 the strategic alliance with TCNZ for the 3G business in Australia was dissolved when TCNZ took up its shareholding in the Company and going forward, the Company may work with TCNZ in relation to 3G products and services. In 2004, the Company's subsidiary, Hutchison 3G Australia Pty Limited, entered into a 50:50 partnership with Telstra Corporation Limited for the joint ownership, operation and development of the 3G radio access network.

The Board is aware of the need to represent all shareholders and to avoid conflicts of interest. Where there is a conflict of interest or the potential appearance of a conflict, affected Directors do not participate in the decision making process or vote on such matters. All commercial agreements with related parties are negotiated on arms' length terms. Further information about the Company's related party transactions is set out in note 30 to the Financial Statements.

# Directors' Report

The Directors are pleased to present their report on the consolidated entity ("Hutchison") consisting of Hutchison Telecommunications (Australia) Limited ("HTAL" or "Company") and the entities it controlled at the end of or during the year ended 31 December 2007.

## Principal activities

During the year, Hutchison's principal activities included the ownership and operation of Australia's first W-CDMA, third generation (3G) mobile network (branded "**3**") across the five mainland capital cities and national capital Canberra; and a national paging and messaging service.

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

## Dividends

No dividend was declared or paid during the year.

## Review of operations

Comments on the operations of Hutchison, results of those operations, the Company's business strategies and its prospects for future years are contained in pages 1 to 20 of this report. Details of the financial position of the Company are contained in pages 41 to 82 of this report.

## Significant changes in the state of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

| | 2007 $'000 |
|---|---|
| (a) Issue of 75,402,826 fully paid ordinary shares at $0.185 each to purchase the minority interests from Telecom Corporation of New Zealand Ltd ("TCNZ") for 19.94% interest in Hutchison 3G Australia Holdings Pty Ltd | 13,950 |
| Net increase in share capital | 13,950 |
| (b) Issue of 13,572,508,580 convertible preference shares at $0.21 each pursuant to a rights issue | 2,850,227 |
| Issue of 1,508,056,509 convertible preference shares at $0.21 each to purchase the minority interests from TCNZ for 19.94% interest in Hutchison 3G Australia Holdings Pty Ltd | 316,692 |
| Less: transaction costs | (7,625) |
| Net increase in convertible preference share capital | 3,159,294 |

## Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 31 December 2007 that has significantly affected, or may significantly affect:

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

## Likely developments and expected results of operations

Other than as set out in the Review of Operations on pages 12 to 20 of this report, further information on business strategies and the future prospects of the Company have not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to Hutchison.

## Environmental regulation

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

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

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

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

## Directors

The following persons were Directors of HTAL during the whole of the year ended 31 December 2007 and up to the date of this report:

FOK Kin-ning, Canning
Barry ROBERTS-THOMSON
CHOW WOO Mo Fong, Susan
Justin Herbert GARDENER
LAI Kai Ming, Dominic
John Michael SCANLON
Frank John SIXT

Mr Marko BOGOIEVSKI was appointed as a Director on 19 October 2007 and resigned on 31 January 2008.

Mr Kevin Steven RUSSELL was appointed as a Director on 19 October 2007 and continues in office at the date of this report.

Mr Roderick James SNODGRASS was appointed as a Director on 15 February 2008 and continues in office at the date of this report.

Further information on the Directors is set out on pages 26 to 28.

| Director | Other Responsibilities | Particulars of Directors' Interests in shares, convertible preference shares and options of HTAL: Ordinary Shares | Convertible Preference Shares |
|---|---|---|---|
| Fok Kin-ning, Canning | Non-executive Chairman, Chairman of Governance, Nomination and Compensation Committee | 5,100,000* | - |
| Barry Roberts-Thomson | Deputy Chairman | 83,916,297** | 2,400 |
| Chow Woo Mo Fong, Susan | Member of Governance, Nomination and Compensation Committee | - | - |
| Justin Herbert Gardener | Member of Governance, Nomination and Compensation Committee and Chairman of Audit Committee | 602,858 | 150,000 |
| Lai Kai Ming, Dominic | - | - | - |
| Kevin Steven Russell | - | - | - |
| John Michael Scanlon | Member of Audit Committee | - | - |
| Frank John Sixt | Member of Audit Committee | 1,000,000 | - |
| Roderick James Snodgrass | - | - | - |

* Direct holding of 100,000 shares only

** Direct holding of 2,500 shares only

Note:

Fok Kin-ning, Canning, holds a relevant interest in (i) 4,310,875 ordinary shares of HWL, a related body corporate of HTAL; (ii) 5,000,000 ordinary shares of HHR, a related body corporate of HTAL; (iii) a nominal amount of USD2,500,000 in the 6.50% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited, a related body corporate of HTAL; (iv) a nominal amount of USD2,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI 03/33"), a related body corporate of HTAL; (v) a nominal amount of USD2,500,000 in the 5.45% Notes due 2010 issued by HWI 03/33; (vi) a nominal amount of USD2,000,000 in the 7.45% Notes due 2033 issued by HWI 03/33; (vii) 1,202,380 ordinary shares of HTIL, a related body corporate of HTAL; and (viii) 225,000 American Depository Shares (each representing one ordinary share) of Partner.

Chow Woo Mo Fong, Susan holds a relevant interest in 150,000 ordinary shares of HWL and 250,000 ordinary shares of HTIL.

Lai Kai Ming, Dominic holds a relevant interest in 50,000 ordinary shares of HWL.

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

## Meetings of Directors

The number of meetings of HTAL's Board of Directors and each of the Board committees held during the year ended 31 December 2007, and the number of meetings attended by each Director were:

| | Board Meetings held during the period as director | Board Meetings attended | Audit Committee Meetings held during the period as member of Committee | Audit Committee Meetings attended | Governance, Nomination and Compensation Committee Meetings held during the period as member of the Committee | Governance, Nomination and Compensation Committee Meetings attended |
|---|---|---|---|---|---|---|
| Fok Kin-ning, Canning | 23 | 23 | N/A | N/A | 2 | 2 |
| Barry Roberts-Thomson | 23 | 23 | N/A | N/A | N/A | N/A |
| Marko Bogoievski*^ | 2 | 2 | N/A | N/A | N/A | N/A |
| Chow Woo Mo Fong, Susan | 23 | 23 | N/A | N/A | 2 | 2 |
| Lai Kai Ming, Dominic | 23 | 23 | N/A | N/A | N/A | N/A |
| Justin Herbert Gardener | 23 | 23 | 4 | 4 | 2 | 2 |
| Kevin Steven Russell* | 2 | 2 | N/A | N/A | N/A | N/A |
| John Michael Scanlon | 23 | 23 | 4 | 4 | N/A | N/A |
| Frank John Sixt | 23 | 23 | 4 | 2 | N/A | N/A |

* Appointed as Director on 19 October 2007

^ Resigned as Director on 31 January 2008

## Retirement, election and continuation in office of Directors

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

Mr Lai Kai Ming, Dominic is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Mr Kevin Steven Russell having been appointed since the last annual general meeting, in accordance with the Constitution of the Company, retires as a Director at the annual general meeting and offers himself for re-election.

Mr Roderick James Snodgrass having been appointed since the last annual general meeting, in accordance with the Constitution of the Company, retires as a Director at the annual general meeting and offers himself for re-election.

## Company secretaries

### Edith SHIH BSE, MA, MA, EdM, Solicitor, FCS, FCIS

Ms Shih has over 10 years of experience as company secretary in listed companies and has been a Company Secretary of the Company since 1999. She has been the head group general counsel of HWL since 1993 and its company secretary since 1997. She is also an executive director and the company secretary of HHR, a non-executive director and the company secretary of Hutchison China MediTech Limited and joint company secretary of Partner. In addition, she is also a director and company secretary of various HWL group companies. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines, a Master of Arts degree and a Master of Education degree from Columbia University, New York. She is a qualified solicitor in Hong Kong, England and Wales and Victoria, Australia; and is also a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

### Louise SEXTON BA, LLM, MBA (Exec)

Ms Sexton has over 14 years' experience as company secretary in listed companies and has been a Company Secretary of the Company since 1999. She is also General Counsel of the Company. She holds a Bachelor of Arts degree and a Master of Laws degree from the University of Sydney and an Executive Master of Business Administration degree from the Australian Graduate School of Management. Ms Sexton has practiced as a solicitor since 1983 with experience in government, private practice and in-house corporate practice.

## Remuneration report

### Compensation philosophy and practice

The Governance, Nomination and Compensation Committee is responsible for making recommendations to the Board on compensation policies and packages for all staff, including Board members and key management personnel of Hutchison. The Company's compensation policy is designed to ensure that remuneration strategies are competitive, innovative and support the business objectives. Hutchison is committed to ensuring it has compensation arrangements that reflect individual performance, overall contribution to the business and developments in the external market. Remuneration and other terms of employment for certain key management personnel are formalised in service agreements. Further details are included in the Corporate Governance Statement.

### Principles used to determine the nature and amount of remuneration

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

#### Directors' fees

The remuneration of the non-executive and independent Directors, J Gardener and J Scanlon, comprised of a fixed amount only and was not performance based. The non-executive and non-independent Directors, C Fok, M Bogoievski, S Chow, F Sixt, D Lai and K Russell, did not receive any remuneration for their services as Directors. The executive and non-independent Director, B Roberts-Thomson, did not receive any remuneration for his service as a Director.

#### Retirement allowances for Directors

No retirement allowances are payable to non-executive Directors.

#### Key management personnel

In addition to the Directors listed on page 26-28, the following persons were the key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company:

| Name | Position | Employer |
|---|---|---|
| N Dews | Chief Executive Officer | HTAL |
| T Finlayson | Chief Financial Officer | HTAL |
| N Hamill | Director, Sales, Marketing and Product | HTAL |
| M Young | Director, Technology, Infrastructure and Services | HTAL |

N Dews was appointed as Chief Executive Officer on 8 January 2007. N Hamill was appointed as Director, Sales, Marketing and Product on 10 May 2007.

#### Key management personnel pay

The key management personnel pay and reward framework has four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the HTAL Executive Option Plan; and
- other remuneration such as superannuation.

The combination of these comprises the key management personnel's total remuneration.

#### Base pay

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

#### Benefits

Motor vehicles are provided to certain key management personnel as part of their salary package.

#### Retirement benefits

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

## Short-term incentives

Short-term incentive components of the remuneration package are assessed against objectives which include both company and job specific financial and non-financial measures for each key management personnel. These measures may include financial, customer service, product management, risk management and individual measures that support key company objectives.

Each key management personnel has a target short-term incentive, the level of which is set depending on the accountabilities of the role and impact on organisation or business unit performance. If achieved, at the discretion of the Board, short-term incentive bonuses are paid in cash in December each year.

Each year, the Governance, Nomination and Compensation Committee considers the appropriate target levels and financial and non-financial measures of performance to link to the short-term incentives. This includes setting any maximum amount for incentives, and minimum levels of performance to trigger payment of the incentives.

## Details of remuneration

Details of the remuneration of each Director of HTAL and each of the key management personnel of the Company, including their personally-related entities, are set out in the following tables.

### Directors of HTAL

| 2007 | Short-term benefits | | | Post - employment benefits | Share based benefits | |
|---|---|---|---|---|---|---|
| **Name** | **Cash salary and fees $** | **Cash bonus $** | **Non-monetary benefits $** | **Superannuation $** | **Options $** | **Total $** |
| C Fok | - | - | - | - | - | - |
| B Roberts-Thomson | 400,000 | - | 40,897 | 12,908 | - | 453,805 |
| J Gardener | 50,000 | - | - | 4,500 | - | 54,500 |
| D Lai | - | - | - | - | - | - |
| M Bogoievski*^ | - | - | - | - | - | - |
| S Chow | - | - | - | - | - | - |
| K Russell* | - | - | - | - | - | - |
| J Scanlon | 50,000 | - | - | 4,500 | - | 54,500 |
| F Sixt | - | - | - | - | - | - |
| Total | 500,000 | - | 40,897 | 21,908 | - | 562,805 |

* Mr Bogoievski and Mr Russell were appointed as Directors on 19 October 2007

^ Mr Bogoievski resigned as a Director on 31 January 2008.

Total remuneration of Directors for the year ended 31 December 2006 is set out below.

| 2006 | Short-term benefits | | | Post - employment benefits | Share based benefits | |
|---|---|---|---|---|---|---|
| **Name** | **Cash salary and fees $** | **Cash bonus $** | **Non-monetary benefits $** | **Superannuation $** | **Options $** | **Total $** |
| C Fok | - | - | - | - | - | - |
| B Roberts-Thomson | 400,000 | - | 41,065 | 12,413 | - | 453,478 |
| J Gardener | 50,000 | - | - | 4,500 | - | 54,500 |
| D Lai | - | - | - | - | - | - |
| D Lui* | - | - | - | - | - | - |
| S Chow* | - | - | - | - | - | - |
| J Scanlon | 50,000 | - | - | 4,500 | - | 54,500 |
| F Sixt | - | - | - | - | - | - |
| Total | 500,000 | - | 41,065 | 21,413 | - | 562,478 |

* Mrs Chow was appointed as a Director on 15 February 2006 and Mr Lui resigned as a Director on 15 February 2006.

### Key management personnel and other executives of the Company

| 2007 | | Short-term benefits | | Post - Employment benefits | Long-term payments | Share-based benefits | |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | Super-annuation $ | Long service leave $ | Options $ | Total $ |
| N Dews ^ | 780,000 | 330,000 | 80,053 | 12,908 | 27,760 | 111,498 | 1,342,219 |
| M Young ^ | 720,000 | 270,000 | 62,572 | 12,908 | 32,307 | 46,589 | 1,144,376 |
| T Finlayson ^ | 377,500 | 150,000 | 5,053 | 12,908 | 11,800 | 35,024 | 592,285 |
| G Bourke ^ | 368,000 | 138,000 | 5,053 | 12,908 | 12,427 | 26,969 | 563,357 |
| L Sexton ^ | 375,000 | 117,118 | 5,053 | 12,908 | 8,173 | 26,969 | 545,221 |
| N Hamill | 200,000 | 83,000 | 5,053 | 9,736 | 15,225 | 30,909 | 343,923 |
| Total | 2,820,500 | 1,088,118 | 162,837 | 74,276 | 107,692 | 277,958 | 4,531,381 |

^ Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under *Corporations Act 2001*.

Total remuneration of key management personnel for the year ended 31 December 2006 is set out below.

| 2006 | | Short-term benefits | | Post-Employment benefits | Long-term payments | Share-based benefits | |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | Super-annuation $ | Long service leave $ | Options $ | Total $ |
| K Russell | 831,701 | 685,000 | 57,658 | 12,413 | 14,061 | 183,643 | 1,784,476 |
| N Dews | 497,892 | 190,000 | 5,053 | 12,413 | 8,909 | 64,275 | 778,542 |
| D Dyson | 338,204 | 180,000 | 5,053 | 12,413 | 6,484 | - | 542,154 |
| T Finlayson | 239,793 | 82,845 | 5,053 | 12,413 | 9,246 | 18,007 | 367,357 |
| M Young | 502,757 | 190,000 | 5,053 | 12,413 | 9,726 | 64,275 | 784,224 |
| Total | 2,410,347 | 1,327,845 | 77,870 | 62,065 | 48,427 | 330,200 | 4,256,754 |

Options held in 2006 and prior years were cancelled in March 2007. Options granted on 14 June 2007 will expire on 13 June 2012. The options have an exercise price of $0.145 and the value per option at grant date was $0.04. The options are exercisable, subject to meeting performance hurdles on the following dates:

- 1/3rd on or after 1 July 2008
- 1/3rd on or after 1 January 2009
- 1/3rd on or after 1 January 2010

### Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses. A target bonus is set for each key management personnel and the amount paid can be lower or higher than the target. The payment of any bonus is at the absolute discretion of the Board. The bonus is based on both company and personal performance goals. The key management personnel, when eligible, can participate in the HTAL Employee Option Plan. The Chief Executive Officer and the Director, Technology and Customer Services are provided with a non-cash benefit in the provision of a motor vehicle and all the key management personnel are provided with car parking. The service agreements for all key management personnel are for no fixed term and upon early termination, other than for gross misconduct, N Dews was entitled to 6 months base salary, M Young and N Hamill 3 month base salary and T Finlayson 1 month base salary. Remuneration is reviewed annually by the Governance, Nomination and Compensation Committee.

### Share-based compensation

Options are granted to Directors and executives under the HTAL Employee Option Plan which was approved by the Board on 4 June 2007. All permanent full-time, permanent part-time and casual employees who have been selected by the Board to receive an invitation or who have been approved for participation in the plan are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

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

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

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

Details of options over ordinary shares in the Company provided as remuneration to each of the key management personnel of the Company are shown above, in the key management personnel remuneration table. When exercisable, each option is convertible into one ordinary share of HTAL. No options vested during the year.

No ordinary shares were issued on the exercise of options during the year to any of the Directors or key management personnel.

### Options holdings

The number of options over ordinary shares in the Company held during the financial year by each of the key management personnel of the Company, including their personally-related entities, are set out below.

#### Key management personnel of the Company

| Name | Balance at the start of the year | Granted during the year as remuneration | Exercised during the year | Expired during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|---|---|---|---|---|---|---|
| N Dews | 1,050,000 | 6,700,000 | - | 1,050,000 | 6,700,000 | - |
| T Finlayson | 250,000 | 2,000,000 | - | 250,000 | 2,000,000 | - |
| N Hamill | - | 2,000,000 | - | - | 2,000,000 | - |
| M Young | 1,050,000 | 2,500,000 | - | 1,050,000 | 2,500,000 | - |
| | 2,350,000 | 13,200,000 | - | 2,350,000 | 13,200,000 | - |

No Directors were issued options during the year or hold options over the ordinary shares of the Company. No options are vested and unexercisable at the end of the year.

No Option are vested and unexercisable at the end of the year.

### Share holdings

The number of shares in the Company held during the financial year by each Director and each of the key management personnel of the Company, including their personally-related entities, are set out below.

#### Directors of HTAL

Ordinary shares

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| C Fok | 5,100,000 | - | - | 5,100,000* |
| B Roberts-Thomson | 83,961,247 | - | (44,950) | 83,916,297** |
| M Bogoievski | - | - | - | - |
| S Chow | - | - | - | - |
| J Gardener | 102,858 | - | 500,000 | 602,858 |
| D Lai | - | - | - | - |
| K Russell | 850,000 | - | (850,000) | - |
| J Scanlon | - | - | - | - |
| F Sixt | 1,000,000 | - | - | 1,000,000 |

* Direct holding of 100,000 shares only

** Direct holding of 2,500 shares only

#### Key management personnel of the Company

Ordinary shares

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| N Dews | 70,461 | - | 140,425 | 210,886 |
| T Finlayson | 112,671 | - | - | 112,671 |
| N Hamill | - | - | - | - |
| M Young | - | - | - | - |

### Convertible preference shares

The number of convertible preference shares in the Company held during the financial year by each Director and each of the key management personnel of the Company, including their personally-related entities, are set out below.

#### Directors of HTAL

Convertible preference shares

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| C Fok | - | - | - | - |
| B Roberts-Thomson | - | - | 2,400 | 2,400 |
| M Bogoievski | - | - | - | - |
| S Chow | - | - | - | - |
| J Gardener | - | - | 150,000 | 150,000 |
| D Lai | - | - | - | - |
| K Russell | - | - | - | - |
| J Scanlon | - | - | - | - |
| F Sixt | - | - | - | - |

#### Key management personnel of the Company

Convertible preference shares

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| N Dews | - | - | 23,000 | 23,000 |
| T Finlayson | - | - | 2,400 | 2,400 |
| N Hamill | - | - | - | - |
| M Young | - | - | - | - |

## Shares under option

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

| Grant Date | Expiry date | Issue price of shares | Number |
|---|---|---|---|
| 14 June 2007 | 13 June 2012 | $0.145 | 28,920,000 |
| 14 November 2007 | 13 June 2012 | $0.200 | 300,000 |

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

## Shares issued on the exercise of options

No ordinary shares of HTAL were issued during the year ended 31 December 2007 or up to the date of this report on the exercise of options granted under the HTAL Executive Option Plan or the HTAL Employee Option Plan.

## Loans to Directors and key management personnel

There were no loans made to the Directors or to the key management personnel of the Company, including their personally related entities during the years ended 31 December 2007 and 31 December 2006.

## Other transactions with Directors and key management personnel

There were no other transactions with Directors and the key management personnel for the years ended 31 December 2007 and 31 December 2006.

## Non-audit services

HTAL may decide to employ the auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Details of the amounts paid to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in note 27, Remuneration of auditors, on page 71 of this report.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40.

## Directors' and officers' liability insurance

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

## Proceedings on behalf of HTAL

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

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

## Rounding of amounts to nearest thousand dollars

Hutchison is a company of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Where noted, amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases to the nearest dollar.

## Auditor

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

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

**Fok Kin-ning, Canning**
Chairman

**Frank Sixt**
Director

25 February 2008

# Auditors' Independence Declaration

PricewaterhouseCoopers
ABN 52 780 433 757

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

As lead auditor for the audit of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2007, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PricewaterhouseCoopers

RL Wilkie
Partner

Sydney
25 February 2008

Liability limited by a scheme approved under Professional Standards Legislation

# Financial Report
## for the year ended 31 December 2007

## Contents

# Income Statements

## for the year ended 31 December 2007

| | Notes | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Parent Entity 2007 $'000 | Parent Entity 2006 $'000 |
|---|---|---|---|---|---|
| **Revenue from continuing operations** | 2 | 1,318,692 | 1,058,734 | 121,850 | 91,825 |
| Cost of interconnection and variable content costs | | (260,081) | (221,016) | (1,193) | (14,356) |
| Other direct costs of provision of telecommunication services and goods | | (403,679) | (334,082) | (8,635) | (30,715) |
| Cost of handsets sold | | (338,587) | (250,100) | - | (7,854) |
| Employee benefits expense | | (114,509) | (111,338) | (2,006) | (8,118) |
| Advertising and promotion expenses | | (52,625) | (55,277) | (523) | (686) |
| Other operating expenses | | (87,307) | (77,559) | (5,209) | (5,302) |
| Other income | 3 | 4,373 | 1,971 | 287 | 148 |
| Share of net profits of joint venture partnership accounted for using the equity method | | 1,365 | 670 | - | - |
| CDMA network closure costs | 4 | - | (307,926) | - | (203,980) |
| Capitalisation of customer acquisition and retention costs | | 46,324 | 18,242 | - | 17 |
| Depreciation expense | 4 | (130,333) | (129,818) | - | - |
| Amortisation expense | 4 | (107,579) | (87,088) | (5,594) | (5,424) |
| Finance costs | 4 | (161,160) | (264,836) | (38,897) | (100,342) |
| **(Loss) / profit before income tax** | | (285,106) | (759,423) | 60,080 | (284,787) |
| Income tax expense | 5 | - | - | - | - |
| **(Loss) / profit for the year** | | (285,106) | (759,423) | 60,080 | (284,787) |
| Net (loss) / profit attributable to minority interest | | - | - | - | - |
| **Net (loss) / profit for the year attributable to members of Hutchison Telecommunications (Australia) Limited** | 24 | (285,106) | (759,423) | 60,080 | (284,787) |

| | Notes | Cents | Cents |
|---|---|---|---|
| **Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 36 | (41.25) | (111.91) |
| Diluted earnings per share | 36 | (41.25) | (111.91) |
| **Earnings per share for loss attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 36 | (41.25) | (111.91) |
| Diluted earnings per share | 36 | (41.25) | (111.91) |

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

# Balance Sheets
## as at 31 December 2007

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | Notes | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 6 | 34,894 | 23,593 | 6,973 | 7,049 |
| Trade and other receivables | 7 | 313,858 | 207,322 | 308,573 | 37,243 |
| Inventories | 8 | 106,838 | 64,593 | 69 | 112 |
| Other | 9 | 15,788 | 20,948 | 2,523 | 5,188 |
| Total Current Assets | | 471,378 | 316,456 | 318,138 | 49,592 |
| **Non-Current Assets** | | | | | |
| Receivables | 10 | 177,169 | 103,843 | 1,443,882 | 391,799 |
| Investment accounted for using the equity method | 11 | 2,035 | 670 | - | - |
| Other financial assets | 12 | - | - | 1,649,418 | 1,318,776 |
| Property, plant and equipment | 13 | 1,015,906 | 946,114 | 29 | 29 |
| Intangible assets | 14 | 989,296 | 706,020 | 41,138 | 32,842 |
| Other | 15 | 3,196 | 3,565 | - | - |
| Total Non-Current Assets | | 2,187,602 | 1,760,212 | 3,134,467 | 1,743,446 |
| **Total Assets** | | 2,658,980 | 2,076,668 | 3,452,605 | 1,793,038 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Payables | 16 | 474,776 | 300,017 | 22,388 | 63,193 |
| Borrowings | 17 | 301,784 | 750,788 | 199,981 | 598,810 |
| Provisions | 18 | 2,453 | 1,072 | 2,396 | 1,072 |
| Derivative financial instruments | 19 | - | 311 | - | - |
| Other | 20 | 8,478 | 7,756 | 5,344 | 3,464 |
| Total Current Liabilities | | 787,491 | 1,059,944 | 230,109 | 666,539 |
| **Non-Current Liabilities** | | | | | |
| Borrowings | 21 | 800,028 | 2,846,619 | - | 1,150,233 |
| Provisions | 22 | 1,691 | 1,504 | 1,691 | 1,504 |
| Total Non-Current Liabilities | | 801,719 | 2,848,123 | 1,691 | 1,151,737 |
| **Total Liabilities** | | 1,589,210 | 3,908,067 | 231,800 | 1,818,276 |
| **Net Assets / (Liabilities)** | | 1,069,770 | (1,831,399) | 3,220,805 | (25,238) |
| **EQUITY** | | | | | |
| Contributed equity | 23 | 4,204,488 | 1,031,244 | 4,204,488 | 1,031,244 |
| Reserves | 24 | 69,755 | 56,724 | 14,868 | 2,148 |
| Accumulated losses | 24 | (3,204,473) | (2,919,367) | (998,551) | (1,058,630) |
| Parent entity interest | | 1,069,770 | (1,831,399) | 3,220,805 | (25,238) |
| Minority interest | 25 | - | - | - | - |
| **Total Equity** | | 1,069,770 | (1,831,399) | 3,220,805 | (25,238) |

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

# Statements of Changes in Equity

## for the year ended 31 December 2007

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | Notes | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Balance at 1 January 2007** | | (1,831,399) | (1,071,847) | (25,238) | 259,367 |
| Changes in the fair value of cash flow hedges, net of tax | 24 | 311 | (311) | - | - |
| Net income recognised directly in equity | | 311 | (311) | - | - |
| (Loss) / profit for the year | | (285,106) | (759,423) | 60,080 | (284,787) |
| **Total recognised income and expense for the year** | | (284,795) | (759,734) | 60,080 | (284,787) |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contribution to equity, net of transaction costs | 23 | 3,173,244 | - | 3,173,244 | - |
| Employee share options - value of employee services | 24 | (417) | 182 | (417) | 182 |
| Share based payment - spectrum licence | 24 | 13,137 | - | 13,137 | - |
| **Subtotal** | | 3,185,964 | 182 | 3,185,964 | 182 |
| **Balance at 31 December 2007** | | 1,069,770 | (1,831,399) | 3,220,805 | (25,238) |
| **Total recognised income and expense for the year is attributable to:** | | | | | |
| Members of Hutchison Telecommunications (Australia) Limited | | (284,795) | (759,734) | 60,080 | (284,787) |
| Minority interest | | - | - | - | - |
| | | (284,795) | (759,734) | 60,080 | (284,787) |

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

# Cash Flow Statements

## for the year ended 31 December 2007

| | Notes | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Parent Entity 2007 $'000 | Parent Entity 2006 $'000 |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Receipts from customers (inclusive of GST) | | 1,352,399 | 1,142,310 | 24,658 | 136,374 |
| Payments to suppliers and employees (inclusive of GST) | | (1,200,021) | (1,275,549) | (48,142) | (109,838) |
| | | 152,378 | (133,239) | (23,484) | 26,536 |
| Interest received | | 4,182 | 828 | 19,319 | 7,031 |
| Rental income | | 740 | 520 | 503 | 226 |
| Finance costs paid | | (198,738) | (222,929) | (55,983) | (96,489) |
| **Net cash outflows from operating activities** | 34 | (41,438) | (354,820) | (59,645) | (62,696) |
| **Cash Flows from Investing Activities** | | | | | |
| Payments for property, plant and equipment | | (173,977) | (151,551) | - | (3,480) |
| Loans to joint venture | | (66,756) | (48,595) | - | - |
| Loans to subsidiaries | | - | - | (1,233,058) | (268,920) |
| Payments for intangible assets | | (47,077) | (18,242) | (753) | (17) |
| **Net cash outflows from investing activities** | | (287,810) | (218,388) | (1,233,811) | (272,417) |
| **Cash Flows from Financing Activities** | | | | | |
| Proceeds from issues of shares and other equity securities | 23 | 2,842,602 | - | 2,842,602 | - |
| Proceeds from borrowings | | 266,409 | 904,412 | 266,409 | 754,412 |
| Repayment of borrowings -medium term notes | | - | (425,000) | - | (425,000) |
| Repayment of borrowings -bank loans | | (950,000) | - | - | - |
| Repayment of borrowings -convertible notes | | (598,810) | - | (598,810) | - |
| Repayment of borrowings -related parties | 21 | (1,020,821) | - | (1,020,821) | - |
| Repayment of borrowings -parent entity | 21 | (196,000) | - | (196,000) | - |
| Repayment of finance lease | | (2,831) | (3,061) | - | - |
| **Net cash inflows from financing activities** | | 340,549 | 476,351 | 1,293,380 | 329,412 |
| **Net increase / (decrease) in cash and cash equivalents** | | 11,301 | (96,857) | (76) | (5,701) |
| Cash and cash equivalents at 1 January | | 23,593 | 120,450 | 7,049 | 12,750 |
| **Cash and cash equivalents at 31 December** | | 34,894 | 23,593 | 6,973 | 7,049 |
| Non-cash investing and financing activities | 35 | | | | |

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

# Notes to the Financial Statements

## 1 Summary of significant accounting policies

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

### (a) Basis of preparation

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

#### Going concern disclosures

As at 31 December 2007, the Consolidated Entity, has a deficiency of net current assets of $316 million. The Consolidated Entity has also experienced operating losses and negative cash flows during the financial year ending on that date. The financial report has been prepared on a going concern basis because the directors believe the Company will be successful in refinancing current borrowings. In addition, the Consolidated Entity's ultimate parent entity, Hutchison Whampoa Limited, has accepted the responsibility of providing and undertake to provide sufficient financial assistance to the Consolidated Entity as and when it is needed to enable the Consolidated Entity to continue its operations and fulfill all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 26 February 2008.

#### Compliance with International Financial Reporting Standards (IFRS)

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

#### Historical cost convention

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

#### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 38.

### (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 2007 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 so as to obtain benefits from their activities, 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.

#### (iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

### (e) Income tax

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

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

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

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

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

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

## (f) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

## (g) Joint ventures

### (i) Jointly controlled entity

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

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

### (ii) Jointly controlled asset

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

## (h) Impairment of assets

Goodwill is not subject to amortisation and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

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

## (i) Cash and cash equivalents

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

## (j) Trade receivables

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

## (k) Inventories

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

## (l) Derivatives

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

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

### (i) Fair value hedge

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

### (ii) Cash flow hedge

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

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

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

## (m) Fair value estimation

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

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

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

## (n) Property, plant and equipment

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

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

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 40 years |

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

During the year the Consolidated Entity revised the useful lives of network equipment and computer equipment. Refer to note 39 for further details.

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. The carrying value of this intangible asset is reviewed by the Directors on a regular basis and written down to recoverable amount where this is less than the carrying value (refer note 1(h)).

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

### (ii) Customer acquisition and retention costs

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

### (iii) Transmission rights

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

### (iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

## (q) Payables

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

## (r) Interest bearing liabilities

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

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

## (s) Borrowing costs

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

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

## (t) Provisions

#### Provision for decommissioning costs

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

## (u) Employee benefits

### (i) Wages and salaries, and annual leave

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

### (ii) Long service leave

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

### (iii) Bonus plan

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

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

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

### (iv) Share-based payments

Share-based compensation benefits are provided to employees via the Hutchison Telecommunications (Australia) Limited Executive Option Plan. Information relating to the Option Plan is set out in note 37.

#### Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

#### Share options granted after 7 November 2002 and vested after 1 January 2005

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

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

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

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

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

#### (v) Retirement benefits

Retirement benefits are delivered under the Retail Employees Superannuation Trust (Acumen), although employees have an option to choose other funds. This fund is a defined contribution fund and is based on employer and employee contributions made to the fund.

Contributions are recognised as an expense as they become payable.

### (v) Contributed equity

Ordinary shares and convertible preference shares are classified as equity. Refer to note 23 for further information.

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

### (w) Earnings per share

#### (i) Basic earnings per share

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

#### (ii) Diluted earnings per share

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

### (x) Goods and Services Tax (GST)

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

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

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

### (y) Rounding of amounts to nearest thousand dollars

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

### (z) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The Consolidated Entity's and the Parent Entity's assessment of the impact of these new standards and interpretations is set out below.

*(i) AASB-I 11 AASB 2 - Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11*

AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Consolidated Entity will apply AASB-I 11 from 1 January 2008, but it is not expected to have any impact on the Consolidated Entity 's financial statements.

*(ii) AASB-I 12 Service Concession Arrangements, AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures*

AASB-I 12, AASB 2007-2, UIG 4 and the revised UIG 129 are all effective for annual reporting periods commencing on or after 1 January 2008. AASB-I 12 provides guidance on the accounting by operators for public-to-private service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities. UIG 4 has been amended to exclude public-to-private service concession arrangements from its scope and UIG 129 was revised to require some additional disclosures. The Consolidated Entity will apply AASB-I 12 and the related amended standards and interpretations from 1 January 2008. Application of AASB-I 12 will not have any impact on the Consolidated Entity's financial statements.

*(iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Consolidated Entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

*(iv) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Consolidated Entity, as the Consolidated Entity does already capitalise borrowing costs relating to qualifying assets.

*(v) AASB-I 13 Customer Loyalty Programmes*

AASB-I 13 is applicable to annual reporting periods commencing on or after 1 July 2008. It provides guidance on the accounting for customer loyalty programmes and requires that the fair value of the consideration received/receivable in respect of a sale transaction is allocated between the award credits and the other components of the sale. The Consolidated Entity does not operate any customer loyalty programmes. AASB-I 13 will therefore have no impact on the Consolidated Entity 's financial statements. The Consolidated Entity will apply AASB-I 13 from 1 January 2008.

*(vi) AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

AASB-I 14 will be effective for annual reporting periods commencing 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. None of the Consolidated Entity 's defined benefit plans are subject to minimum funding requirements and none of them is in a surplus position. The Consolidated Entity will apply AASB-I 14 from 1 January 2008, but it is not expected to have any impact on the Consolidated Entity 's financial statements.

*(vii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

## 2. Revenue

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| **From continuing operations** | | | | |
| Services | 1,171,954 | 924,898 | 15,888 | 78,333 |
| Sale of handsets | 143,456 | 130,831 | 842 | 4,462 |
| | 1,315,410 | 1,055,729 | 16,730 | 82,795 |
| **Other revenue** | | | | |
| Interest | 2,542 | 2,485 | 104,617 | 8,804 |
| Rental income | 740 | 520 | 503 | 226 |
| | 3,282 | 3,005 | 105,120 | 9,030 |
| | 1,318,692 | 1,058,734 | 121,850 | 91,825 |

## 3. Other income

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| Net foreign exchange gains | 4,373 | 1,971 | 287 | 148 |

## 4. Expenses

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **(Loss) / profit before income tax includes the following specific expenses:** | | | | |
| Finance costs | | | | |
| Interest and finance charges paid / payable | 161,160 | 264,836 | 38,897 | 100,342 |
| Finance costs expensed | 161,160 | 264,836 | 38,897 | 100,342 |
| Depreciation* | | | | |
| Buildings | 33 | 33 | - | - |
| Computer equipment | 64,341 | 56,238 | - | - |
| Computer equipment under finance lease | 1,664 | 2,321 | - | - |
| Fixtures, fittings and office equipment | 9,215 | 6,853 | - | - |
| Network equipment | 21,799 | 23,989 | - | - |
| Network equipment - jointly controlled assets | 19,895 | 20,091 | - | - |
| Assets under construction | 13,386 | 20,293 | - | - |
| Total depreciation | 130,333 | 129,818 | - | - |
| Amortisation | | | | |
| Capitalised development costs | 596 | 596 | - | - |
| Spectrum licence | 75,442 | 75,034 | 5,594 | 5,185 |
| Transmission capacity | 3,063 | 3,063 | - | 239 |
| Customer acquisition and retention costs | 18,665 | 8,395 | - | - |
| Customer acquisition costs written off | 9,813 | - | - | - |
| Total amortisation | 107,579 | 87,088 | 5,594 | 5,424 |
| Total amortisation and depreciation | 237,912 | 216,906 | 5,594 | 5,424 |
| Rental expense relating to operating leases | | | | |
| Lease payments | 37,849 | 37,536 | 10,862 | 14,192 |
| Total rental expense relating to operating leases | 37,849 | 37,536 | 10,862 | 14,192 |
| Defined contribution superannuation expense | 7,720 | 6,596 | 168 | 426 |
| Impairment losses / (write back) – financial assets | | | | |
| Trade receivables | 30,971 | 19,942 | (49) | (3,606) |
| CDMA network closure costs | | | | |
| CDMA customer upgrade costs | - | 106,660 | - | - |
| Site decommissioning costs | - | 28,000 | - | 28,000 |
| Depreciation and amortisation expense | - | 173,266 | - | 175,980 |
| Total CDMA network closure costs | - | 307,926 | - | 203,980 |

* During the year the Consolidated Entity revised the useful lives of network equipment and computer equipment. Refer to note 39 for further details.

## 5. Income tax expense

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| **(a) Income tax expense** | | | | |
| Current tax | - | - | - | - |
| Deferred tax | - | - | - | - |
| Income tax expense | - | - | - | - |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| (Loss)/profit from operations before income tax expense | (285,106) | (759,423) | 60,080 | (284,787) |
| Tax at the Australian tax rate of 30% (2006: 30%) | (85,532) | (227,827) | 18,024 | (85,436) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Entertainment | 161 | 159 | 2 | 7 |
| Interest not deductible | 27,258 | 26,938 | - | 13,872 |
| Unrecognised tax losses | 58,113 | 200,730 | - | 71,557 |
| | - | - | 18,026 | - |
| Under (over) provision in prior years | | | | |
| Prior year tax losses not recognised now recouped | - | - | (18,026) | - |
| Income tax expense | - | - | - | - |
| **(c) Tax losses** | | | | |
| Unused tax losses for which no deferred tax assets has been recognised | 3,550,540 | 3,528,933 | 763,015 | 750,685 |
| Potential tax benefit @ 30% | 1,065,162 | 1,058,680 | 228,904 | 225,206 |

All unused tax losses were incurred by Australian entities

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the company complies with the conditions for deductibility imposed by tax legislation.

## 6. Current assets - Cash and cash equivalents

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| Cash at bank and in hand | 19,394 | 23,593 | 6,973 | 7,049 |
| Short term deposits | 15,500 | - | - | - |
| | 34,894 | 23,593 | 6,973 | 7,049 |

### Restrictions on cash at bank

At 31 December 2007 cash at bank includes collateral for bank guarantees $4,322,000 (2006: $4,722,000) (note 28).

### Short term deposits

At 31 December 2007 there are short term deposits $15,500,000 (2006: nil). The weighted average interest rate was 6.47% p.a. in 2007.

### Liquidity risk

Liquidity risk is managed through maintaining sufficient cash and available committed credit facilities (note 21).

## 7. Current assets - Receivables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Trade receivables | 337,624 | 226,160 | 6,822 | 3,373 |
| Less: Provision for impairment of receivables | (24,040) | (20,753) | (1,999) | (1,586) |
| | 313,584 | 205,407 | 4,823 | 1,787 |
| Other receivables | 274 | 1,915 | 87,141 | 1,799 |
| Receivable from subsidiary | - | - | 216,609 | 33,657 |
| | 313,858 | 207,322 | 308,573 | 37,243 |

### Receivable from subsidiary

Weighted average interest on the receivable from subsidiary is charged at a rate of Bank Bills Swap Yield (BBSY) plus 2.15% p.a. (2006: BBSY plus 2.20% p.a.).

For further information refer to note 30.

#### (a) Credit risk

The Consolidated Entity has no significant concentrations of credit risk. The Consolidated Entity has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

#### (b) Impaired trade receivables

As at 31 December 2007 current trade receivables of the Consolidated Entity with a nominal value of $24,040,000 (2006: $20,753,000) were impaired. The amount of the provision was $24,040,000 (2006: $20,753,000). The individually impaired receivables mainly relate to retail customers which are provided for based on historical impairment averages.

The ageing of these receivables is as follows:

| | Consolidated | |
|---|---|---|
| | 2007 $'000 | 2006 $'000 |
| 1-3 months | 15,689 | 13,142 |
| Over 3 months | 8,351 | 7,611 |
| | 24,040 | 20,753 |

As of 31 December 2007, current trade receivables of $41,594,000 (2006: $36,193,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of payment default. The ageing analysis of these trade receivables is as follows:

| | Consolidated | |
|---|---|---|
| | 2007 $'000 | 2006 $'000 |
| 1-3 months | 25,351 | 13,156 |
| Over 3 months | 16,243 | 23,037 |
| | 41,594 | 36,193 |

Movements in the provision for impairment of current trade receivables are as follows:

| | Consolidated | |
|---|---|---|
| | 2007 $'000 | 2006 $'000 |
| At 1 January | 20,753 | 19,991 |
| Provision for impairment recognised during the year | 30,971 | 19,942 |
| Receivables written off during the year as uncollectible | (27,684) | (19,180) |
| | 24,040 | 20,753 |

## 7. Current assets - Receivables continued

The creation and release of the provision for impaired receivables has been included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

### (c) Foreign exchange and interest rate risk

Refer to note 41 for an analysis of the Consolidated Entity's exposure to foreign currency risk in relation to trade and other receivables.

A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 41.

### (d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Consolidated Entity does not generally hold any collateral as security. Refer to note 41 for more information on the risk management policy of the Consolidated Entity.

## 8. Current assets - Inventories

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Finished goods at net realisable value | 106,838 | 64,593 | 69 | 112 |

### Inventory expense

Inventories recognised as expense during the year ended 31 December 2007 amounted to $338,916,000 (2006: $326,568,000).

There was $329,000 (2006: $1,305,000) related to write-down or provision for write-down of inventory.

The expense has been included in 'other direct costs of provision of telecommunication services and goods' in the income statement.

## 9. Current assets - Other

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Prepayments | 15,721 | 20,881 | 2,459 | 5,124 |
| Other | 67 | 67 | 64 | 64 |
| | 15,788 | 20,948 | 2,523 | 5,188 |

## 10. Non-current assets - Receivables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Trade receivables | 32,202 | 19,612 | - | - |
| Less: Provision for impairment of receivables | (3,220) | (2,155) | - | - |
| | 28,982 | 17,457 | - | - |
| Other receivables | 148,187 | 86,386 | - | - |
| Receivable from subsidiaries | - | - | 1,443,882 | 391,799 |
| | 177,169 | 103,843 | 1,443,882 | 391,799 |

### Other receivables

Included in other debtors is a loan to a jointly controlled entity. For further information refer to note 30.

### Receivable from subsidiaries

Further information relating to loans to related parties is set out in note 30.

#### (a) Impaired receivables

As at 31 December 2007 non-current trade receivables of the Consolidated Entity with a nominal value of $3,220,000 (2006: $2,155,000) were impaired. The amount of the provision was $3,220,000 (2006: $2,155,000).

#### (b) Fair values

The carrying values of non-current receivables at amortised cost approximated to fair value, based on cash flows discounted using 7% (2006 - 7%).

#### (c) Foreign currency and interest rate risk

The carrying amounts of the Consolidated Entity's and Parent Entity's current and non-current receivables are denominated in the following currencies:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Australian dollars | 474,074 | 308,361 | 223,986 | 429,013 |
| Great britain pound | 7 | 6 | - | - |
| US dollar | 16,946 | 2,798 | 38 | 29 |
| | 491,027 | 311,165 | 224,024 | 429,042 |
| Current receivables | 313,858 | 207,322 | 308,573 | 37,243 |
| Non-current receivables | 177,169 | 103,843 | 1,443,882 | 391,799 |
| | 491,027 | 311,165 | 1,752,455 | 429,042 |

For an analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk refer to note 41.

#### (d) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Consolidated Entity does not hold any collateral as security. Refer to note 41 for more information on the risk management policy of the Consolidated Entity.

## 11. Non-current assets - Investment accounted for using the equity method

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Interest in jointly controlled entity (note 32) | 2,035 | 670 | - | - |

### Shares in jointly controlled entity

Under the joint venture agreement described in note 32 each party has contributed $1 to the share capital of the entity.

## 12. Non-current assets - Other financial assets

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Non-traded investments** | | | | |
| Shares in controlled entities (note 31) | - | - | 1,649,418 | 1,318,776 |

## 13. Non-current assets - Property, plant and equipment

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| **Land and buildings** | | | | |
| At cost | 1,610 | 1,610 | 29 | 29 |
| Less: accumulated depreciation | (275) | (242) | - | - |
| Total land and buildings | 1,335 | 1,368 | 29 | 29 |
| **Fixtures, fittings and office equipment** | | | | |
| At cost | 113,757 | 108,627 | 68,628 | 68,628 |
| Less: accumulated depreciation | (103,632) | (94,417) | (68,628) | (68,628) |
| Total fixtures, fittings and office equipment | 10,125 | 14,210 | - | - |
| **Computer equipment** | | | | |
| At cost | 449,896 | 408,520 | 74,923 | 74,923 |
| Less: accumulated depreciation | (333,833) | (269,492) | (74,923) | (74,923) |
| Total computer equipment | 116,063 | 139,028 | - | - |
| Computer equipment under finance lease | 16,742 | 13,594 | - | - |
| Less: accumulated amortisation | (8,990) | (7,326) | - | - |
| Total computer equipment under finance lease | 7,752 | 6,268 | - | - |
| Total computer equipment | 123,815 | 145,296 | - | - |
| **Network equipment** | | | | |
| At cost | 679,394 | 585,316 | 230,128 | 230,128 |
| Less: accumulated depreciation | (317,286) | (295,487) | (230,128) | (230,128) |
| Total network equipment | 362,108 | 289,829 | - | - |
| **Network equipment - jointly controlled asset** | | | | |
| At net book value | 356,249 | 356,005 | - | - |
| Less: accumulated depreciation | (60,048) | (40,153) | - | - |
| Total network equipment - jointly controlled asset (note 32) | 296,201 | 315,852 | - | - |
| **Assets under construction** | | | | |
| Work in progress | 267,048 | 210,899 | 2,434 | 2,434 |
| Less: accumulated depreciation | (44,726) | (31,340) | (2,434) | (2,434) |
| Total work in progress | 222,322 | 179,559 | - | - |
| **Total property, plant and equipment** | 1,015,906 | 946,114 | 29 | 29 |

## 13. Non-current assets - Property, plant and equipment continued

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Reconciliation of land and buildings** | | | | |
| Carrying amount at beginning of year | 1,368 | 1,401 | 29 | 29 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Depreciation (note 4) | (33) | (33) | - | - |
| Carrying amount at end of year | 1,335 | 1,368 | 29 | 29 |
| **Reconciliation of fixtures, fittings and office equipment** | | | | |
| Carrying amount at beginning of year | 14,210 | 57,432 | - | 40,504 |
| Additions | 5,130 | 4,139 | - | 4 |
| Disposals | - | - | - | - |
| Depreciation (note 4) | (9,215) | (47,361) | - | (40,508) |
| Carrying amount at end of year | 10,125 | 14,210 | - | - |
| **Reconciliation of computer equipment** | | | | |
| Carrying amount at beginning of year | 139,028 | 162,771 | - | 6,880 |
| Additions | 41,376 | 40,410 | - | 1,035 |
| Disposals | - | - | - | - |
| Depreciation (note 4) | (64,341) | (64,153) | - | (7,915) |
| Carrying amount at end of year | 116,063 | 139,028 | - | - |
| **Reconciliation of computer equipment under finance lease** | | | | |
| Carrying amount at beginning of year | 6,268 | 8,589 | - | - |
| Additions | 3,148 | - | - | - |
| Disposals | - | - | - | - |
| Depreciation (note 4) | (1,664) | (2,321) | - | - |
| Carrying amount at end of year | 7,752 | 6,268 | - | - |
| **Reconciliation of network equipment** | | | | |
| Carrying amount at beginning of year | 289,829 | 350,569 | - | 80,631 |
| Additions | 94,078 | 45,699 | - | 81 |
| Disposals | - | (869) | - | - |
| Depreciation (note 4) | (21,799) | (104,701) | - | (80,712) |
| Transfer to joint venture operation | - | (869) | - | - |
| Carrying amount at end of year | 362,108 | 289,829 | - | - |
| **Reconciliation of network equipment - jointly controlled asset** | | | | |
| Carrying amount at beginning of year | 315,852 | 335,074 | - | - |
| Additions | 244 | - | - | - |
| Transfer in from network equipment | - | 869 | - | - |
| Disposals | - | - | - | - |
| Depreciation (note 4) | (19,895) | (20,091) | - | - |
| Carrying amount at end of year | 296,201 | 315,852 | - | - |
| **Reconciliation of assets under construction** | | | | |
| Carrying amount at beginning of year | 179,559 | 140,112 | - | 72 |
| Additions | 200,125 | 152,385 | - | 3,501 |
| Transfers out | (143,976) | (90,211) | - | (1,139) |
| Depreciation (note 4) | (13,386) | (22,727) | - | (2,434) |
| Carrying amount at end of year | 222,322 | 179,559 | - | - |

## 14. Non-current assets - Intangible assets

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Spectrum licences at cost | 953,067 | 939,177 | 57,534 | 43,644 |
| Less: accumulated amortisation | (365,787) | (290,345) | (16,396) | (10,802) |
| | 587,280 | 648,832 | 41,138 | 32,842 |
| Capitalised development costs | 66,052 | 66,052 | 61,843 | 61,843 |
| Less: accumulated amortisation | (60,501) | (59,905) | (61,843) | (61,843) |
| | 5,551 | 6,147 | - | - |
| Customer acquisition and retention costs | 118,273 | 81,762 | 49,793 | 49,793 |
| Less: accumulated amortisation | (82,054) | (63,389) | (49,793) | (49,793) |
| | 36,219 | 18,373 | - | - |
| Transmission capacity at cost | 38,794 | 38,794 | - | - |
| Less: accumulated amortisation | (9,189) | (6,126) | - | - |
| | 29,605 | 32,668 | - | - |
| Goodwill | 330,641 | - | - | - |
| Less: Provision for impairment | - | - | - | - |
| | 330,641 | - | - | - |
| | 989,296 | 706,020 | 41,138 | 32,842 |
| **Reconciliation of spectrum licences** | | | | |
| Carrying amount at beginning of year | 648,832 | 723,866 | 32,842 | 38,027 |
| Additions | 13,890 | - | 13,890 | - |
| Disposals | - | - | - | - |
| Amortisation (note 4) | (75,442) | (75,034) | (5,594) | (5,185) |
| Carrying amount at end of year | 587,280 | 648,832 | 41,138 | 32,842 |
| **Reconciliation of capitalised development costs** | | | | |
| Carrying amount at beginning of year | 6,147 | 39,396 | - | 35,367 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Amortisation (note 4) | (596) | (33,249) | - | (35,367) |
| Carrying amount at end of year | 5,551 | 6,147 | - | - |
| **Reconciliation of customer acquisition and retention costs** | | | | |
| Carrying amount at beginning of year | 18,373 | 17,570 | - | 9,027 |
| Additions | 46,324 | 18,242 | - | 17 |
| Write off | (9,813) | - | - | - |
| Amortisation (note 4) | (18,665) | (17,439) | - | (9,044) |
| Carrying amount at end of year | 36,219 | 18,373 | - | - |
| **Reconciliation of transmission capacity** | | | | |
| Carrying amount at beginning of year | 32,668 | 35,731 | - | 5,568 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Amortisation (note 4) | (3,063) | (3,063) | - | (239) |
| Transfer to subsidiary | - | - | - | (5,329) |
| Carrying amount at end of year | 29,605 | 32,668 | - | - |

## 14. Non-current assets - Intangible assets continued

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Reconciliation of goodwill** | | | | |
| Carrying amount at beginning of year | - | - | - | - |
| Additions | 330,641 | - | - | - |
| Disposals | - | - | - | - |
| Carrying amount at end of year | 330,641 | - | - | - |

### Goodwill

On 19 October 2007, Telecom Corporation of New Zealand Limited (TCNZ) rolled up its 19.94% investment in Hutchison 3G Australia Holdings Pty Ltd ("H3GAH") to a 10% stake in Hutchison Telecommunications (Australia) Limited ("HTAL"). The goodwill arises from HTAL's 19.94% acquisition of H3GAH on that date.

Under the same transaction, TCNZ assigned its 850 MHz spectrum licence to HTAL in return for an option to increase its 10% investment in HTAL by a further 9.94% at any time before 31 December 2008.

## 15. Non-current assets - Other

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Prepayments | 3,196 | 3,565 | - | - |

## 16. Current liabilities - Payables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Trade creditors | 182,458 | 152,472 | 2,368 | 5,428 |
| Other creditors | 113,584 | 147,545 | 20,020 | 57,765 |
| Loans from related entity (note 30) | 178,734 | - | - | - |
| | 474,776 | 300,017 | 22,388 | 63,193 |

### (a) Foreign currency risk

The carrying amounts of the Consolidated Entity's and Parent Entity's trade and other payables are denominated in the following currencies:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Australian Dollars | 465,556 | 269,243 | 22,121 | 62,926 |
| Euro | 705 | 990 | 267 | 267 |
| Hong Kong Dollars | 3 | 174 | - | - |
| US Dollar | 8,512 | 29,610 | - | - |
| | 474,776 | 300,017 | 22,388 | 63,193 |

### (b) Interest rate risk exposures

Details of the Consolidated Entity's exposure to interest rate changes on borrowings are set out in note 41.

## 17. Current liabilities - Borrowings

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Secured** | | | | |
| Lease liabilities | 1,820 | 2,017 | - | - |
| **Unsecured** | | | | |
| Bank loans | 299,964 | 149,961 | 199,981 | - |
| Convertible notes | - | 598,810 | - | 598,810 |
| | 301,784 | 750,788 | 199,981 | 598,810 |

### (a) Lease liabilities

Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default (refer note 21).

### (b) Bank loans

$99,983,000 of bank loans has a repayment date of 28 December 2008. The effective cost of funding is calculated on BBSY plus 2.13% p.a. (2006: BBSY plus 2.13% p.a.)

$199,981,000 of bank loans has a repayment date of 14 February 2008. The effective cost of funding is calculated on BBSY plus 2.15% p.a. (2006: BBSY plus 2.15% p.a.)

### (c) Convertible notes

On 15 July 2002, 909,358,150 convertible notes were issued for a term of 5 years and provided a cash coupon payment of 5.5% per annum, payable semi-annually until the earlier of conversion or maturity date. The issue price of each convertible note was $0.66.

The convertible notes may be converted into ordinary shares of the company at the option of the holder (in certain circumstances) on a one for one basis.

The convertible notes are measured at amortised cost. On 15 July 2007, the convertible notes matured and were repaid. Refer to note 1(r) for further details.

### (d) Risk exposures

Details of the Consolidated Entity's exposure to interest rate risks arising from current and non-current borrowings are set out in note 21.

### (e) Interest rate risk exposures

Details of the Consolidated Entity's exposure to interest rate changes on borrowings are set out in note 41.

### (f) Fair value disclosures

Details of the fair value of borrowings of the Consolidated Entity are set out in note 41.

## 18. Current liabilities - Provisions

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Employee benefits | 2,453 | 1,072 | 2,396 | 1,072 |

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

## 19. Derivative financial instruments

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Forward foreign exchange contracts - cash flow hedges | - | 311 | - | - |

### (a) Instruments used by the Consolidated Entity

The Consolidated Entity is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuation in exchange rates. As at 31 December 2007, these forward exchange contracts were closed out.

**Forward exchange contracts - cash flow hedges**

During the year, the Consolidated Entity purchased some handsets from its supplier on invoices denominated in US dollars. In order to protect against exchange rate movements, the Consolidated Entity entered into forward exchange contracts to purchase US dollars.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature to coincide with the payment for handsets.

The cash flows are expected to occur at various dates within six months from the balance sheet date. At balance sheet date, the details of outstanding contracts are:

| | Sell Australian dollars | | Average exchange rate | |
|---|---|---|---|---|
| **Buy USD** | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Maturity : 0 - 6 months | - | 30,091 | - | 0.7808 |

Amounts disclosed above represent currency sold, measured at the contracted rate.

The portion of the gain or loss on the hedging instruments that is determined to be in an effective hedge is recognised directly in equity. When the cash flows occur, the Consolidated Entity adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

During the year ended 31 December 2007 a loss of $158,000 (2006 - a loss of $701,000) was transferred to other income in the income statement.

### (b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date there was no amount receivable or payable (Australian dollar equivalents) for the Consolidated Entity from forward foreign exchange contracts.

## 20. Current liabilities - Other

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Customer deposits | - | 1 | - | 1 |
| Unearned income | 8,478 | 7,755 | 371 | 467 |
| Loans from subsidiaries (note 30) | - | - | 4,973 | 2,996 |
| | 8,478 | 7,756 | 5,344 | 3,464 |

### Loans from subsidiaries

No interest is charged on the loans from subsidiaries. For further information refer to note 30.

## 21. Non-current liabilities - Borrowings

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Secured** | | | | |
| Lease liabilities | 2,101 | 1,587 | - | - |
| **Unsecured** | | | | |
| Bank loans | 797,927 | 1,894,620 | - | 199,821 |
| Loans from parent entity (note 30) | - | 196,000 | - | 196,000 |
| Loans from related entity (note 30) | - | 754,412 | - | 754,412 |
| | 797,927 | 2,845,032 | - | 1,150,233 |
| | 800,028 | 2,846,619 | - | 1,150,233 |

### (a) Lease liabilities

Leased liabilities are secured against the underlying assets which revert to the lessor in case of default. The carrying value of the assets pledged as security is $7,752,000 representing leased computer equipment.

### (b) Bank loans

$698,133,000 of the bank loans has a repayment date of 17 August 2009. The effective cost of funding is calculated on BBSY plus 2.22% p.a. (2006: BBSY plus 2.22% p.a.) $99,794,000 of bank loans has a repayment date of 9 December 2010. The effective cost of funding is calculated on BBSY plus 2.17% p.a. (2006: BBSY plus 2.17% p.a.) The bank loans are wholly guaranteed for principal and interest by the ultimate parent entity, Hutchison Whampoa Limited.

### (c) Loans from related entity

Interest on loans from related entity was calculated at a rate of BBSY plus 2.40% p.a. and were fully repaid during the year. (2006:$754,412,000 with BBSY plus 2.40% p.a.)

### (d) Fair value

The carrying amounts and fair values of non-current borrowings of the Consolidated Entity at balance date are:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| **Secured** | | | | |
| Lease liabilities | 2,101 | 2,101 | 1,587 | 1,587 |
| **Unsecured** | | | | |
| Bank loans | 797,927 | 797,927 | 1,894,620 | 1,894,620 |
| Loans from parent entity (note 30) | - | - | 196,000 | 196,000 |
| Loans from related entity (note 30) | - | - | 754,412 | 754,412 |
| | 797,927 | 797,927 | 2,845,032 | 2,845,032 |
| | 800,028 | 800,028 | 2,846,619 | 2,846,619 |

#### (i) On-balance sheet

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not material. The fair value of non-current borrowings equals their carrying amount because a floating interest rate applies to these loans.

#### (ii) Contingent liabilities

The Parent Entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 28. As explained in the note, no material losses are anticipated in respect of any of those contingencies.

## 21. Non-current liabilities - Borrowings continued

### (e) Risk exposures

The exposure of the Consolidated Entity's and Parent Entity's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| 6 months or less | 200,751 | 945,974 | 199,981 | 794,810 |
| 6 - 12 months | 101,033 | 814 | - | - |
| 1 - 5 years | 800,028 | 2,650,619 | - | 954,233 |
| Over 5 years | - | - | - | - |
| | 1,101,812 | 3,597,407 | 199,981 | 1,749,043 |
| Current borrowings | 301,784 | 750,788 | 199,981 | 598,810 |
| Non-current borrowings | 800,028 | 2,846,619 | - | 1,150,233 |
| | 1,101,812 | 3,597,407 | 199,981 | 1,749,043 |

The carrying amounts of the Consolidated Entity's borrowings are denominated in the following currencies:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Australian dollar | 1,101,812 | 3,597,407 | 199,981 | 1,749,043 |

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 41.

### (f) Financing arrangements

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Unrestricted access was available at balance date to the following lines of credit: | | | | |
| **Bank loan facilities** | | | | |
| Total facilities | 1,100,000 | 2,050,000 | 200,000 | 200,000 |
| Used at balance date | (1,100,000) | (2,050,000) | (200,000) | (200,000) |
| Unused at balance date | - | - | - | - |

## 21. Non-current liabilities - Borrowings continued

### (g) Risk exposures

The following table sets out the Consolidated Entity's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate liabilities to maturity.

| 2007 | | | | Fixed interest rate | | | | |
|---|---|---|---|---|---|---|---|---|
| | Floating interest rate $'000 | 1 year or less $'000 | Over 1 to 2 years $'000 | Over 2 to 3 years $'000 | Over 3 to 4 years to $'000 | Over 4 5 years $'000 | Over 5 years $'000 | Total $'000 |
| Bank loans (notes 17 and 21) | 1,097,891 | - | - | - | - | - | - | 1,097,891 |
| Lease liabilities (notes 17 and 21) | - | 1,820 | 2,101 | - | - | - | - | 3,921 |
| | 1,097,891 | 1,820 | 2,101 | - | - | - | - | 1,101,812 |
| Weighted average interest rate | 9.10% | 6.99% | 6.99% | - | - | - | - | |

| 2006 | | | | Fixed interest rate | | | | |
|---|---|---|---|---|---|---|---|---|
| | Floating interest rate $'000 | 1 year or less $'000 | Over 1 to 2 years $'000 | Over 2 to 3 years $'000 | Over 3 to 4 years to $'000 | Over 4 5 years $'000 | Over 5 years $'000 | Total $'000 |
| Bank loans (notes 17 and 21) | 2,044,581 | - | - | - | - | - | - | 2,044,581 |
| Convertible notes (note 21) | - | 598,810 | - | - | - | - | - | 598,810 |
| Other loans (note 21) | 196,000 | - | - | - | - | - | - | 196,000 |
| Lease liabilities (notes 17 and 21) | - | 2,017 | 840 | 747 | - | - | - | 3,604 |
| | 2,240,581 | 600,827 | 840 | 747 | - | - | - | 2,842,995 |
| Weighted average interest rate | 8.64% | 5.50% | 6.44% | 6.44% | - | - | - | |

## 22. Non-Current Liabilities - Provisions

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Employee benefits | 1,691 | 1,504 | 1,691 | 1,504 |

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

## 23. Contributed equity

### (a) Share capital

Movement in ordinary shares:

| Date | Detail | Number of shares | Issue price $ | $'000 |
|---|---|---|---|---|
| 01 January 2007 | Opening balance | 678,625,429 | | 1,031,244 |
| 19 October 2007 | Ordinary share issue (note(ii)) | 75,402,826 | 0.185 | 13,950 |
| 31 December 2007 | Balance | 754,028,255 | | 1,045,194 |

### Share capital

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (b) Convertible preference shares

Movement in convertible preference shares:

| Date | Detail | Number of shares | Issue price $ | $'000 |
|---|---|---|---|---|
| 01 January 2007 | Opening balance | - | | - |
| 08 June 2007 | Convertible preference share issue (note(i)) | 13,572,508,580 | 0.21 | 2,850,227 |
| 19 October 2007 | Convertible preference share issue (note(ii)) | 1,508,056,509 | 0.21 | 316,692 |
| | | 15,080,565,089 | | 3,166,919 |
| | Less: transaction costs arising on share issue | | | (7,625) |
| 31 December 2007 | Balance | 15,080,565,089 | | 3,159,294 |
| Total contributed equity | | 15,834,593,344 | | 4,204,488 |

(i) On 8 June 2007, Hutchison Telecommunications (Australia) Limited (HTAL) raised $2.85 billion by way of a pro-rata rights issue of Convertible Preference Shares (CPS) to existing shareholders.

The CPS:

- (a) were issued at 21 cents;
- (b) have no voting rights except in limited circumstances;
- (c) are convertible (at the option of the holder) into 0.85 ordinary shares for each CPS either:
  - (i) after expiry of the two year non-conversion period during a conversion window of 10 business days commencing on the first day of each calendar quarter; or
  - (ii) upon a takeover offer being made for HTAL; or
  - (iii) upon a change of control of HTAL; or
  - (iv) following an announcement by HTAL of a major disposal of its assets may be converted by HTAL into 0.85 ordinary shares in certain circumstances
- (d) will convert into 0.85 ordinary shares for each CPS five years after their date of issue;
- (e) rank ahead of ordinary shares in the event of a winding up, but are subordinated to secured debt; and
- (f) are entitled to a non-cummulative preferential dividend equal to 5% per annum of the issue price, subject to the directors determining in their discretion; that a dividend is payable under rule 5.1 of the Constitution of HTAL.

(ii) On 19 October 2007, TCNZ rolled up its 19.94% investment in Hutchison 3G Australia Holdings Pty Ltd to a 10% stake in HTAL. Pursuant to a Sale and Subscription Agreement executed on 10 October 2007 between HTAL, HCAPL, TCNZ and Telecom 3G (Australia) Limited, HTAL issued 75,402,826 ordinary shares and 1,508,056,509 convertible preference shares to Hutchison Communications (Australia) Pty Limited (HCAPL). Under the same agreement, HTAL granted an option to TCNZ to increase its 10% investment in HTAL to a further 9.94% at any time before 31 December 2008. In consideration for this option, TCNZ assigned its 850 MHz spectrum licence to HTAL.

## 23. Contributed equity continued

### (c) Options

Information relating to the HTAL Executive Option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 37.

### (d) Capital risk management

The Consolidated Entity's and the Parent Entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Consolidated Entity and the Parent Entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| Total payables and borrowings | 1,576,588 | 3,897,424 | 222,369 | 1,812,236 |
| Less: cash and cash equivalents (note 6) | (34,894) | (23,593) | (6,973) | (7,049) |
| Net debt | 1,541,694 | 3,873,831 | 215,396 | 1,805,187 |
| Total equity | 1,069,770 | (1,831,399) | 3,220,805 | (25,238) |
| Total capital | 2,611,464 | 2,042,432 | 3,436,201 | 1,779,950 |
| Gearing ratio | 59% | 190% | 6% | 101% |

The decrease in the gearing ratio during 2007 resulted primarily from the issue of Convertible Preference Shares during the year.

## 24. Reserves and accumulated losses

| | Consolidated 2007 $'000 | Consolidated 2006 $'000 | Parent Entity 2007 $'000 | Parent Entity 2006 $'000 |
|---|---|---|---|---|
| **(a) Reserves** | | | | |
| Capital reserve | 54,887 | 54,887 | - | - |
| Hedging reserve - cash flow hedges | - | (311) | - | - |
| Share-based payments reserve | 14,868 | 2,148 | 14,868 | 2,148 |
| | 69,755 | 56,724 | 14,868 | 2,148 |
| **Movements:** | | | | |
| **Capital reserve** | | | | |
| There has been no movement in the capital reserve during the year. | | | | |
| **Hedging reserve - cash flow hedges** | | | | |
| Balance at 1 January | (311) | - | - | - |
| Hedging movement | 311 | (311) | - | - |
| Balance at 31 December | - | (311) | - | - |
| **Share-based payments reserve** | | | | |
| Balance at 1 January | 2,148 | 1,966 | 2,148 | 1,966 |
| Option expense | (417) | 182 | (417) | 182 |
| Spectrum licence | 13,137 | - | 13,137 | - |
| Balance at 31 December | 14,868 | 2,148 | 14,868 | 2,148 |
| **(b) Accumulated losses** | | | | |
| Accumulated losses at 1 January | (2,919,367) | (2,159,944) | (1,058,630) | (773,843) |
| Net (loss) / profit attributable to the members of Hutchison Telecommunications (Australia) Limited | (285,106) | (759,423) | 60,079 | (284,787) |
| Accumulated losses at 31 December | (3,204,473) | (2,919,367) | (998,551) | (1,058,630) |

### (c) Nature and purpose of reserves

#### Capital reserve

The capital reserve relates to the surplus arising on initial consolidation of 19.9% stake in Hutchison 3G Australia Holdings Pty Limited. It is not distributable until realised.

#### Hedging reserve - cash flow hedges

The hedging reserve is used to record gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(l)(ii). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

#### Share-based payments reserve

The share-based payments reserve is used to recognise

(a) the fair value of share options issued but not expensed ; and

(b) the fair value of the 850 MHz spectrum licence assigned from TCNZ as consideration for the option to increase TCNZ's equity interest in HTAL from 10% to 19.94% exercisable any time before 31 December 2008. The fair value was determined by reference to the far value of the option granted to TCNZ. Refer to note 23 (b)(ii) for further details on the option.

## 25. Minority interest

| | Consolidated | |
|---|---|---|
| | 2007 $'000 | 2006 $'000 |
| **Interest in:** | | |
| Share capital in subsidiary | - | 341,477 |
| Accumulated losses | - | (341,477) |
| | - | - |

## 26. Director and key management personnel disclosures

### (a) Directors

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

**(i) Chairman - Non-executive Director**

C Fok

**(ii) Deputy Chairman - Executive Director**

B Roberts-Thomson

**(iii) Non-executive Directors**

S Chow

J Gardener

D Lai

J Scanlon

F Sixt

M Bogoievski (appointed on 19 October 2007 and resigned on 31 January 2008)

K Russell (from 19 October 2007)

### (b) Key management personnel

The following persons were the key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the year ended 31 December 2007:

| Name | Position | Employer |
|---|---|---|
| N Dews | Chief Executive Officer | HTAL |
| T Finlayson | Chief Financial Officer | HTAL |
| N Hamill | Director, Sales, Marketing and Product (from 10 May 2007) | HTAL |
| M Young | Director, Technology, Infrastructure and Services | HTAL |

The following persons were the key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the year ended 31 December 2006:

| Name | Position | Employer |
|---|---|---|
| K Russell | Chief Executive Officer | HTAL |
| N Dews | Director, Sales, Marketing and Product | HTAL |
| D Dyson | Chief Financial Officer (until 2 October 2006) | HTAL |
| T Finlayson | Chief Financial Officer (from 2 October 2006) | HTAL |
| M Young | Director, Technology, Infrastructure and Services | HTAL |

## (c) Key management personnel compensation

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| Short term employee benefits | 3,063,231 | 3,816,062 | - | - |
| Post employment benefits | 48,460 | 62,065 | - | - |
| Long term benefits | 87,092 | 48,427 | - | - |
| Share based payments | 224,019 | 330,200 | - | - |
| | 3,422,802 | 4,256,754 | - | - |

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found on pages 34 to 38 of the Remuneration report in the Directors' report.

## (d) Loans to key management personnel

There were no loans made to Directors or key management personnel of the Company, including their personally related entities during the years ended 31 December 2007 and 31 December 2006.

## (e) Other transactions with key management personnel

There were no other transactions with the Directors or key management personnel of the Company for the years ended 31 December 2007 and 31 December 2006.

# 27. Remuneration of auditors

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| During the year the following services were paid to the auditor of the Parent Entity, its related practices and non-related audit firms: | | | | |
| **Assurance services** | | | | |
| 1. Audit services | | | | |
| Fees paid to PricewaterhouseCoopers Australian firm: | | | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | 341 | 323 | 111 | 240 |
| 2. Other assurance services | | | | |
| Fees paid to PricewaterhouseCoopers Australian firm: | | | | |
| IT audit | 110 | 120 | - | 20 |
| Accounting services | 65 | - | 65 | - |
| Other assurance services | 11 | - | 11 | - |
| Total remuneration for assurance services | 526 | 443 | 186 | 260 |
| **Taxation services** | | | | |
| Fees paid to PricewaterhouseCoopers Australian firm: | | | | |
| Tax compliance services, including review of company tax returns | 262 | 104 | 127 | 23 |
| Tax advice on recapitalisation | 152 | - | 152 | |
| | 414 | 104 | 279 | 23 |
| **Advisory services** | | | | |
| Fees paid to related practices of PricewaterhouseCoopers Australian firms | - | - | - | - |

It is the Consolidated Entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Consolidated Entity's policy to seek competitive tenders for all major consulting projects.

## 28. Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2007 are as follows:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Guarantees** | | | | |
| Secured guarantees in respect of leases and loans of controlled entities. | 4,322 | 4,722 | 3,350 | 3,350 |
| Unsecured guarantees in respect of leases of controlled entities. | 29,699 | 30,635 | 29,699 | 30,635 |
| | 34,021 | 35,357 | 33,049 | 33,985 |

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

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

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

## 29. Commitments

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Capital Commitments** | | | | |
| Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable: | | | | |
| Not later than 1 year | 76,010 | 65,911 | - | - |
| Later than 1 year but not later than 5 years | 32,355 | 59,092 | - | - |
| Later than 5 years | - | - | - | - |
| | 108,365 | 125,003 | - | - |
| The above commitments include capital expenditure commitments relating to the 3GIS joint venture operation (note 32 (b)) | - | 718 | - | - |
| **Lease Commitments** | | | | |
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable: | | | | |
| **Operating leases** | | | | |
| Not later than 1 year | 23,220 | 27,991 | 2,950 | 7,300 |
| Later than 1 year but not later than 5 years | 37,158 | 41,543 | 774 | 6,600 |
| Later than 5 years | 11,420 | 1,785 | - | - |
| | 71,798 | 71,319 | 3,724 | 13,900 |
| Representing: | | | | |
| Non-cancellable operating leases | 71,798 | 71,319 | 3,724 | 13,900 |

The Consolidated Entity leases various sites, offices, retail shops and warehouses under non-cancellable operating leases expiring within one to eighteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

## 29. Commitments continued

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Finance leases** | | | | |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Not later than 1 year | 2,042 | 2,192 | - | - |
| Later than 1 year but not later than 5 years | 2,156 | 1,697 | - | - |
| Minimum lease payments | 4,198 | 3,889 | - | - |
| Less: Future finance charges | (277) | (285) | - | - |
| Recognised as a liability | 3,921 | 3,604 | - | - |
| Representing lease liabilities: | | | | |
| Current (note 17) | 1,820 | 2,017 | - | - |
| Non-current (note 21) | 2,101 | 1,587 | - | - |
| | 3,921 | 3,604 | - | - |

The weighted average interest rate implicit in the leases is 6.99% (2006: 6.44%).

The Consolidated Entity leases various computer equipment with a carrying value of $7,752,000 (2006: $6,268,000) under finance leases which expire within one to four years. Under the terms of the leases, the Consolidated Entity has the option to acquire the leased assets for an agreed amount or an agreed fair value as detailed in the lease agreement.

## 30. Related party transactions

### (a) Parent entities

The holding company and Australian parent entity is Hutchison Communications (Australia) Pty Limited which at 31 December 2007 owns 52% (2006 : 58%) of the issued ordinary shares of Hutchison Telecommunications (Australia) Limited. Hutchison Communications (Australia) Pty Limited currently holds 13,568,383,554 (90%) of the convertible preference shares (CPS) issued on 8 June 2007 which will convert into 0.85 ordinary shares for each CPS five years after their date of issue. Refer to note 23 for further details. The ultimate parent entity is Hutchison Whampoa Limited (incorporated in Hong Kong) which at 31 December 2007 beneficially owns 100% (2006 - 100%) of the issued shares of Hutchison Communications (Australia) Pty Limited.

### (b) Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows: FOK Kin-ning, Canning; Barry ROBERTS-THOMSON; CHOW Woo Mo Fong, Susan; Justin H. GARDENER; LAI Kai Ming, Dominic; John Michael SCANLON and Frank John SIXT. Mr Marko BOGOIEVSKI and Mr Kevin Steven RUSSELL were appointed as Directors on 19 October 2007. Mr Marko BOGOIEVSKI resigned as a Director on 31 January 2008. Mr Roderick James SNODGRASS was appointed as a Director on 15 February 2008.

### (c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in the Directors' Report.

## 30. Related party transactions continued

### (d) Transactions with related parties

During the year, the following transactions occurred with related parties:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| *Sales of goods and services* | | | | |
| Sale of interconnection services to subsidiary | - | - | 196 | 2,351 |
| Sale of telecommunications related goods and services to joint venture | 4,480 | 5,696 | - | - |
| Recharge of staff costs | - | - | 123,155 | 123,682 |
| *Purchases of goods* | | | | |
| Purchase of interconnection services from subsidiary | - | - | 258 | 4,962 |
| Purchase of goods and services from commonly controlled entities | 386,376 | 388,642 | - | - |
| Purchase of telecommunications related goods and services from joint venture | 50,950 | 38,929 | - | - |
| *Loans to related parties* | | | | |
| Loans advanced to: | | | | |
| Subsidiaries | - | - | 1,235,035 | 264,099 |
| *Loans from related parties* | | | | |
| Loans advanced from: | | | | |
| Related entity | 178,734 | 754,412 | 1,977 | 754,412 |
| Loans repayments to: | | | | |
| Parent entity | 196,000 | - | 196,000 | - |
| Related entity | 754,412 | - | 754,412 | - |
| *Interest revenue* | | | | |
| Subsidiaries | - | - | 103,780 | 8,804 |
| *Interest expense* | | | | |
| Ultimate parent entity | 27,940 | 42,774 | 3,726 | 10,469 |
| Ultimate Australian parent entity | 20,657 | 49,376 | 20,657 | 49,376 |
| Related entity | - | 16,398 | - | 3,170 |
| *Superannuation contributions* | | | | |
| Contributions to superannuation funds on behalf of employees | 7,720 | 6,596 | 168 | 426 |
| *Other transactions* | | | | |
| Advances to jointly controlled entity | 55,768 | 48,595 | - | - |

Advances to jointly controlled entity's represents funds advanced under the terms of the agreement with the jointly controlled entity.

The funds advanced under the agreement are interest free and to be offset by charges from the jointly controlled entity.

On 19 October 2007, Hutchison Telecommunications (Australia) Limited issued 75,402,826 ordinary shares and 1,508,056,509 convertible preference shares to Hutchison Communications (Australia) Pty Limited (HCAPL). Refer to note 23 for further details.

## 30. Related party transactions continued

### (e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| *Current receivables* | | | | |
| Subsidiaries (note 7) | - | - | 216,609 | 33,657 |
| *Non-current receivables* | | | | |
| Subsidiaries (note 10) | - | - | 1,443,882 | 391,799 |
| Jointly controlled entity (note 10) | 140,260 | 84,492 | - | - |
| *Payables* | | | | |
| Commonly controlled entity (note16) | 178,734 | - | - | - |
| *Current borrowings* | | | | |
| Subsidiaries (note 20) | - | - | 4,973 | 2,996 |
| *Non-current borrowings* | | | | |
| Ultimate Australian parent entity (note 21) | - | 196,000 | - | 196,000 |
| Related entity (note 21) | - | 754,412 | - | 754,412 |

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

### (f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## 31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| | | | Equity Holding * | |
|---|---|---|---|---|
| Name of Entity | Country of Incorporation | Class of Shares | 2007 % | 2006 % |
| Bell Organisation Pty Limited | Australia | Ordinary | 100 | 100 |
| Bell Paging Pty Limited | Australia | Ordinary | 100 | 100 |
| Bell Communications Pty Limited | Australia | Ordinary | 100 | 100 |
| Lindian Pty Limited | Australia | Ordinary | 100 | 100 |
| Erlington Pty Limited | Australia | Ordinary | 100 | 100 |
| Hutchison Telephone Pty Limited | Australia | Ordinary | 100 | 100 |
| HTAL Facilities Pty Limited | Australia | Ordinary | 100 | 100 |
| Hutchison 3G Australia Holdings Pty Limited ** | Australia | Ordinary | 100 | 80 |
| Hutchison 3G Australia Pty Limited | Australia | Ordinary | 100 | 80 |
| H3GA Facilities Pty Limited | Australia | Ordinary | 100 | 80 |
| H3GA Properties (No. 3) Pty Limited | Australia | Ordinary | 100 | 80 |

* The proportion of ownership interest is equal to the proportion of voting power held.

** This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order (98/1418) issued by the Australian Securities and Investments Commission.

## 32. Interest in joint ventures

### (a) 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.

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

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Carrying amount of investment in the entity** | - | - | - | - |
| **Share of entity's assets and liabilities** | | | | |
| Current assets | 45,692 | 41,974 | - | - |
| Non-current assets | 117,127 | 76,896 | - | - |
| **Total assets** | 162,819 | 118,870 | - | - |
| Current liabilities | (14,287) | (28,817) | - | - |
| Non-current liabilities | (146,498) | (89,383) | - | - |
| **Total liabilities** | (160,784) | (118,200) | - | - |
| **Net assets** | 2,035 | 670 | - | - |
| **Share of entity's revenue, expenses and results** | | | | |
| Revenues | 72,364 | 53,954 | - | - |
| Expenses | (70,999) | (53,284) | - | - |
| **Profit before income tax** | 1,365 | 670 | - | - |
| **Share of entity's commitments** | | | | |
| Lease commitments | 144,012 | 150,569 | - | - |
| Capital commitments | - | - | - | - |
| | 144,012 | 150,569 | - | - |
| Contingent liabilities relating to the jointly controlled entity | - | - | - | - |

### (b) Jointly Controlled Asset

Under the same joint venture agreement described 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:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Non-current assets** | | | | |
| Plant and equipment - at net book value (note 13) | 356,249 | 356,005 | - | - |
| Less: Accumulated depreciation | (60,048) | (40,153) | - | - |
| | 296,201 | 315,852 | - | - |
| Capital commitments | - | 718 | - | - |

## 33. 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.

## 34. Reconciliation of (loss) / profit after income tax to net cash outflows from operating activities

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| (Loss) / profit for the year | (285,106) | (759,423) | 60,080 | (284,787) |
| Amortisation | 79,101 | 120,390 | 5,594 | 49,835 |
| Depreciation | 130,333 | 261,387 | - | 131,569 |
| Amortisation - subscriber acquisition and retention costs | 18,665 | 8,395 | - | - |
| Customer acquisition costs written off | 9,813 | - | - | - |
| Non-cash employee benefits expense - share-based payments | (417) | 182 | (417) | 182 |
| Fair value adjustment on liabilities | 3,310 | 4,818 | 160 | 2,940 |
| Share of net profits of joint venture partnership accounted for using equity method | (1,365) | (670) | - | - |
| Change in operating assets and liabilities | | | | |
| Increase / (decrease) in provision for doubtful debts | 4,352 | 1,065 | 413 | (5,014) |
| (Increase) / decrease in receivables | (117,458) | (38,544) | (88,791) | 34,874 |
| (Increase) / decrease in inventories | (42,245) | 4,357 | 43 | 178 |
| Decrease in other assets | 5,529 | 1,264 | 2,665 | 3,772 |
| Increase / (decrease) in payables | 151,759 | 42,584 | (40,807) | 5,120 |
| Increase / (decrease) in other current liabilities | 723 | (1,033) | (96) | (1,773) |
| Increase in employee entitlements | 1,568 | 408 | 1,511 | 408 |
| Net cash outflows from operating activities | (41,438) | (354,820) | (59,645) | (62,696) |

## 35. Non-cash investing and financing activities

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Acquisition of plant & equipment by means of finance lease | 3,148 | - | - | - |

### Goodwill

On 19 October 2007, Hutchison Telecommunications (Australia) Limited ("HTAL") acquired 19.94% of H3GA in exchange for issuing 75,402,826 number of shares and 1,508,056,509 number of CPS to HCAPL. Refer to note 23(b)(ii) for further details.

### Spectrum licence

Under the same transaction, HTAL also acquired the 850 MHz spectrum licence from TCNZ in consideration for granting an option to TCNZ to increase its 10% interest in HTAL to a further 9.94% at any time before 31 December 2008.

## 36. Earnings per share

| | Consolidated 2007 Cents | Consolidated 2006 Cents |
|---|---|---|
| **(a) Basic earnings per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity | (41.25) | (111.91) |
| Loss attributable to the ordinary equity holders of the Consolidated Entity | (41.25) | (111.91) |
| **(b) Diluted earnings per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity | (41.25) | (111.91) |
| Loss attributable to the ordinary equity holders of the Consolidated Entity | (41.25) | (111.91) |

| | Consolidated 2007 $'000 | Consolidated 2006 $'000 |
|---|---|---|
| **(c) Reconciliation of earnings used in calculating earnings per share** | | |
| *Basic earnings per share* | | |
| Loss from continuing operations | (285,106) | (759,423) |
| Loss from continuing operations attributable to minority interests | - | - |
| Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share | (285,106) | (759,423) |
| *Diluted earnings per share* | | |
| Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share | (285,106) | (759,423) |

| | Consolidated 2007 Number | Consolidated 2006 Number |
|---|---|---|
| **(d) Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 691,192,567 | 678,625,429 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 691,192,567 | 678,625,429 |

### (e) Information concerning the classification of securities

#### (i) Options

Options granted to employees and Directors under the HTAL Executive Option Plan are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive.

The options have not been included in the determination of the basic earnings per share. Further details relating to the options are disclosed in note 37.

#### ii) Convertible Notes

Convertible notes are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive. The convertible notes have not been included in the determination of the basic earnings per share. Further details relating to convertible notes are disclosed in note 17.

#### (iii) Convertible Preference Shares

Convertible preference shares are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive. The convertible preference shares have not been included in the determination of the basic earnings per share. Further details relating to convertible preference shares are disclosed in note 23.

## 37. Share-based payments

### Option Plans

The HTAL Executive Option Plan was established by the Board on 3 July 1999 and terminated on 27 March 2007. All permanent full-time, permanent part-time and casual employees who were selected by the Board to receive an invitation or who were approved for participation in the plan were eligible to participate in the plan.

The HTAL Employee Option Plan was established by the Board on 4 June 2007. All permanent full-time, permanent part-time and casual employees who have been selected by the Board to receive an invitation or who have been approved for participation in the plan are eligible to participate in the plan.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is the higher of the following:

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

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

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

| Consolidated and Parent Entity - 2007 | Grant date | Expiry date | Exercise price | Balance at the start of the year | Issued during the year | Exercised during the year | Expired / lapsed / cancelled during the year | Balance at the end of the year | Exercisable at the end of the year |
|---|---|---|---|---|---|---|---|---|---|
| | 23-Jul-04 | 31-Dec-10 | $0.455 | 10,450,000 | - | - | 10,450,000 | - | - |
| | 30-Jul-04 | 31-Dec-10 | $0.460 | 50,000 | - | - | 50,000 | - | - |
| | 10-Dec-04 | 31-Dec-10 | $0.360 | 450,000 | - | - | 450,000 | - | - |
| | 23-Dec-04 | 31-Dec-10 | $0.345 | 150,000 | - | - | 150,000 | - | - |
| | 3-Jun-05 | 31-Dec-10 | $0.270 | 50,000 | - | - | 50,000 | - | - |
| | 1-Jul-05 | 31-Dec-10 | $0.270 | 200,000 | - | - | 200,000 | - | - |
| | 5-Aug-05 | 31-Dec-10 | $0.270 | 200,000 | - | - | 200,000 | - | - |
| | 31-Mar-06 | 31-Dec-10 | $0.255 | 3,965,000 | - | - | 3,965,000 | - | - |
| | 13-Apr-06 | 31-Dec-10 | $0.250 | 150,000 | - | - | 150,000 | - | - |
| | 14-Jun-07 | 13-Jun-12 | $0.145 | - | 29,320,000 | - | 400,000 | 28,920,000 | - |
| | 14-Nov-07 | 13-Nov-12 | $0.200 | - | 300,000 | - | - | 300,000 | - |
| **Total** | | | | 15,665,000 | 29,620,000 | - | 16,065,000 | 29,220,000 | - |
| Weighted average exercise price | | | | $0.393 | $0.146 | $0.000 | $0.387 | $0.146 | |

| Consolidated and Parent Entity - 2006 | Grant date | Expiry date | Exercise price | Balance at the start of the year | Issued during the year | Exercised during the year | Expired / lapsed / cancelled during the year | Balance at the end of the year | Exercisable at the end of the year |
|---|---|---|---|---|---|---|---|---|---|
| | 18-Aug-01 | 17-Aug-06 | $0.540 | 70,000 | - | - | 70,000 | - | - |
| | 23-Jul-04 | 31-Dec-10 | $0.455 | 13,840,000 | - | - | 3,390,000 | 10,450,000 | - |
| | 30-Jul-04 | 31-Dec-10 | $0.460 | 50,000 | - | - | - | 50,000 | - |
| | 20-Aug-04 | 31-Dec-10 | $0.405 | 100,000 | - | - | 100,000 | - | - |
| | 10-Dec-04 | 31-Dec-10 | $0.360 | 450,000 | - | - | - | 450,000 | - |
| | 23-Dec-04 | 31-Dec-10 | $0.345 | 150,000 | - | - | - | 150,000 | - |
| | 3-Jun-05 | 31-Dec-10 | $0.270 | 50,000 | - | - | - | 50,000 | - |
| | 1-Jul-05 | 31-Dec-10 | $0.270 | 200,000 | - | - | - | 200,000 | - |
| | 5-Aug-05 | 31-Dec-10 | $0.270 | 200,000 | - | - | - | 200,000 | - |
| | 31-Mar-06 | 31-Dec-10 | $0.255 | - | 4,815,000 | - | 850,000 | 3,965,000 | - |
| | 13-Apr-06 | 31-Dec-10 | $0.250 | - | 150,000 | - | - | 150,000 | - |
| **Total** | | | | 15,110,000 | 4,965,000 | - | 4,410,000 | 15,665,000 | - |
| Weighted average exercise price | | | | $0.446 | $0.255 | $0.000 | $0.417 | $0.393 | |

No options were forfeited during the year (2006: nil). The weighted average remaining contractual life of share options outstanding at the end of the period was 4.5 years (2006: 4.0 years)

## 37. Share-based payments continued

### Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2007 was 4 cents (2006: 10 cents).

Refer to note 1(u)(iv) for how the fair value of options were determined. The additional model inputs for options granted during the year ended 31 December 2007 not already outlined above include:

(a) weighted average share price at grant date: 14.6 cents (2006: 25 cents).
(b) weighted average of expected price volatility of the company's shares: 33% (2006: 35% ).
(c) expected dividend yield: 0% (2006: 0%)
(d) weighted average risk-free interest rate: 6.39% (2006: 5.4%).

The expected price volatility is based on the historical 12 month period prior to grant date.

### Employee Share Purchase Plan

The employee share purchase plan allows for HTAL's shares to be purchased on-market for employees. All Australian resident permanent employees and casual employees who have been employed by the company for more than one year are eligible to participate in the plan. Employees may elect not to participate in the plan.

Under the plan, up to $1,000 of HTAL shares are purchased for each participating employee with the company contributing up to $250 of the cost of the purchase, and brokerage and stamp duty costs.

Shares purchased under the plan may not be sold until the earlier of 3 years after purchase or cessation of employment with the company.

### Expenses arising under share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employment costs were as follows:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2007 $'000** | **2006 $'000** | **2007 $'000** | **2006 $'000** |
| Options issued under HTAL Executive Option Plan | - | 182 | - | 182 |

## 38. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

#### Impairment of assets

In accordance with the Consolidated Entity's accounting policy stated in note 1(h) assets have been tested for impairment. The recoverable amount of the Consolidated Entity's cash generating unit has been determined based on value in use calculations. Refer to note 1(h) for details on the Consolidated Entity's cash generating unit. These calculations require the use of estimates and assumptions.

The value in use calculation is based on cash flow projections over a 10 year period which is the estimated average useful life of the assets under review. These calculations use cash flow projections based on financial budgets approved by the Board covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for the value in use calculations are as follows:

- Weighted average growth rate used to extrapolate cash flows beyond 2012 of 0%;
- Pre tax discount rate applied to the cash flow projections of 9.25%; and
- Terminal value at the end of the modelled period based on a multiple of EBITDA less costs to sell.

The growth rate is a conservative estimate of forecast long-term industry growth. The discount rate reflects the debt:equity ratio and the risks relating to the Consolidated Entity in the industry in which it operates. The terminal value is an approximation of the estimated fair value less costs to sell at the end of the forecast period.

Management determined other budget and forecast information such as subscriber numbers and margins based on past performance and its expectations of the future.

Management performed sensitivities on the key assumptions outlined above and noted no impairment of assets under any reasonable scenario considered.

The recoverable amount of the Parent Entity's cash generating unit, being the 2G spectrum licence, is assessed at fair value less costs to sell. This is based on the estimated value of estimated proceeds from the sale of the 2G spectrum licence.

The recoverable amount of the Parent Entity's investment in controlled entities (refer note 12) has been determined based on value in use calculations. The cash flows underlying the value in use calculations are mainly derived from the 3G business. The key assumptions used for the value in use calculation are consistent with those outlined above for the Consolidated Entity's cash generating unit.

Corporate assets have been allocated on a reasonable and consistent basis to the cash generating unit to which the corporate asset belongs.

### (b) Critical judgements in applying the Consolidated Entity's accounting policies

There are no judgments made in applying the Consolidated Entity's accounting policies that have a significant effect on the amounts recognised in the financial report.

## 39. Revision of accounting estimates

### Revision of useful lives of plant and equipment

During the year the estimated total useful lives to a subsidiary of certain items of network equipment and computer equipment were revised. The net effect of the changes in the current financial year was a decrease in depreciation expense of the Consolidated Entity of $13,963,000.

Assuming the assets are held until the end of their estimated useful lives, depreciation of the Consolidated Entity in future years in relation to these assets will be decreased by the following amounts:

| Year ending 31 Dec | $'000 |
|---|---|
| 2008 | 10,871 |
| 2009 | 7,779 |

## 40. Events occurring after the balance sheet date

No matter or circumstance has arisen subsequent to balance date that has significantly affected, or may significantly affect:

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

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

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

## 41. Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as foreign exchange contracts to hedge some risk exposures. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Consolidated Entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### (a) Market risk

#### (i) Foreign exchange risk

The Consolidated Entity purchases handsets from its suppliers on invoices denominated in US dollars. In order to protect against exchange rate movements, the Consolidated Entity enters into foreign exchange contracts to purchase US dollars.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a policy requiring operating units to manage their foreign exchange risk against their functional currency. Operating units review individual requirements with the central treasury department to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted with financial institutions.

For reporting purposes, the entity designates contracts as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

At 31 December 2007, had the Australian Dollar weakened/strengthened by 10% against all other currencies with all other variables held constant, post-tax loss for the year would have been $903,000 lower/$903,000 higher (2006: $250,000 lower/$229,000 higher), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated trade payables. Loss is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2007 than 2006 because of the increased amount of foreign currency denominated accounts receivable, which is partly off-set by foreign currency hedging. Equity would have been $903,000 lower/$903,000 higher (2006: $250,000 lower/$229,000 higher) had the Australian dollar weakened/strengthened by 10% against all other currencies, arising mainly from translation of US dollar denominated trade payables. Equity is more sensitive to movements in the Australian dollar in 2007 than 2006 because of the decrease in forward foreign exchange contracts.

#### (ii) Cash flow and fair value interest rate risk

The Consolidated Entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Consolidated Entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the Consolidated Entity to fair value interest rate risk.

The Consolidated Entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Consolidated Entity calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on profit or loss of a 10 basis-point shift would be a maximum increase of $1,097,900 ($2006: $2,240,600) or decrease of $1,097,900 (2006: $2,240,600) respectively. The simulation is done on a yearly basis to verify that the maximum loss potential is within the limit given by the management.

At 31 December 2007, if interest rates had changed by -/+1% from the year-end rates of 9.1% with all other variables held constant, post-tax loss for the year would have been $10,630,000 lower/higher (2006: $22,170,000 lower/higher), mainly as a result of lower interest income from cash and cash equivalents. Equity would have been $10,630,000 lower/higher mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

## 41. Financial risk management continued

### (a) Market risk continued

#### (iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entity's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

| | | Interest rate risk | | | | Foreign exchange risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -1% | | +1% | | -10% | | +10% | |
| 31 December 2007 | Carrying amount $'000 | Loss $'000 | Equity $'000 | Loss $'000 | Equity $'000 | Loss $'000 | Equity $'000 | Loss $'000 | Equity $'000 |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents | 34,894 | (349) | (349) | 349 | 349 | | | | |
| Trade and other receivables | 337,624 | | | | | 1,825 | 1,825 | (1,825) | (1,825) |
| **Financial liabilities** | | | | | | | | | |
| Trade payables | (182,458) | | | | | (922) | (922) | 922 | 922 |
| Borrowings | (1,101,812) | 10,979 | 10,979 | (10,979) | (10,979) | | | | |
| **Total increase / (decrease)** | (911,752) | 10,630 | 10,630 | (10,630) | (10,630) | 903 | 903 | (903) | (903) |

### (b) Credit risk

Credit risk is managed on an entity basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Credit Department following a credit risk assessment. The utilisation of credit limits by wholesale customers is regularly monitored by line management. The entity uses automated payment facilities such as direct deposit of customers bank account or credit card to settle amounts due by retail customers, mitigating credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 28 for details). Such guarantees are only provided in exceptional circumstances and are subject to board approval.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the support from related parties.

The Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

The table below analyses the Consolidated Entity's financial liabilities relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| At 31 December 2007 | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|
| Bank loans | 299,964 | 698,133 | 99,794 | - |
| Finance lease liabilities | 1,820 | 2,101 | - | - |

# Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 42 to 82 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2007 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 34 to 38 of the Directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Conjunction Regulation 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

**FOK Kin-ning, Canning**
Chairman

**Frank Sixt**
Director

25 February 2008

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# Independent Auditor's Report

to the members of Hutchison Telecommunications (Australia) Limited

## Report on the financial report and the AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Hutchison Telecommunications (Australia) Limited (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Hutchison Telecommunications (Australia) Limited and the Hutchison Telecommunications (Australia) Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report under the heading "remuneration report" in pages 34 to 38 of the directors' report and not in the financial report.

## Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration disclosures of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2007 included on Hutchison Telecommunications (Australia) Limited web site. The company's directors are responsible for the integrity of the Hutchison Telecommunications (Australia) Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements and remuneration disclosures named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration disclosures. 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 audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Hutchison Telecommunications (Australia) Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report complies with International Financial Reporting Standards as disclosed in Note 1.

## Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 34 to 38 of the directors' report comply with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

RL Wilkie
Partner

Sydney
25 February 2008

# Shareholder Information

The shareholder information set out below was applicable as at 14 March 2008

## Substantial shareholders

Substantial shareholders in the Company are:

| | Shareholding | Percentage |
|---|---|---|
| Hutchison Communications (Australia) Pty Limited# | 476,267,155 | 63.16% |
| Leanrose Pty Limited | 83,913,797 | 11.13% |
| Telecom 3G (Australia) Limited & Telecom Corporation of New Zealand Limited | 75,402,826 | 10.0% |

Notes:

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

## Distribution of equity securities

| Range | Ordinary Shares | Convertible Preference Shares | Options |
|---|---|---|---|
| 1-1,000 | 1,658 | 4 | Nil |
| 1,001-5,000 | 3,395 | 28 | Nil |
| 5,001-10,000 | 1,319 | 11 | Nil |
| 10,001-100,000 | 1,575 | 35 | 16 |
| 100,001-OVER | 252 | 9 | 50 |
| **Total** | 8,199 | 87 | 66 |

## Twenty largest shareholders

There were 4,276 holders of less than a marketable parcel of ordinary shares. The names of the 20 largest holders of quoted ordinary shares as at 14 March 2008 are as follows:

| Shareholder | Shareholding | % Issued Capital | Rank |
|---|---|---|---|
| Hutchison Communications (Australia) Pty Limited | 392,353,358 | 52.03 | 1 |
| Leanrose Pty Limited | 83,913,797 | 11.13 | 2 |
| Telecom 3G (Australia) Limited | 75,402,826 | 10.00 | 3 |
| HSBC Custody Nominees (Australia) Limited - GSCO ECSA | 16,650,640 | 2.21 | 4 |
| Citicorp Nominees Pty Limited | 13,958,300 | 1.85 | 5 |
| J P Morgan Nominees Australia | 7,373,837 | .98 | 6 |
| HSBC Custody Nominees (Australia) Limited - GSI ECSA | 4,000,000 | .53 | 7 |
| HSBC Custody Nominees (Australia) Limited | 3,719,369 | .49 | 8 |
| National Nominees Limited | 3,525,122 | .47 | 9 |
| Yet Kwong Chiang & Ho Yuk Lin Chiang | 3,500,000 | .46 | 10 |
| Arjee Pty Ltd | 2,077,936 | .28 | 11 |
| George Thomson | 2,052,772 | .27 | 12 |
| Wei Wei Wai | 2,000,000 | .27 | 13 |
| Song Song Zhang | 1,651,861 | .22 | 14 |
| Yim Fong Leung | 1,640,000 | .22 | 15 |
| Jason Boua Hong Lo | 1,400,000 | .19 | 16 |
| ANZ Nominees Limited | 1,360,000 | .18 | 17 |
| Yee Man Tang | 1,250,000 | .17 | 18 |
| Hung Fong Chong | 1,201,000 | .16 | 19 |
| David Lau | 1,100,000 | .15 | 20 |

## Twenty largest convertible preference shareholders

The names of the 20 largest holders of quoted convertible notes as at 14 March 2008 are as follows:

| Convertible Preference Shareholder | Convertible Preference Shareholding | Rank |
|---|---|---|
| Hutchison Communications (Australia) Pty Limited | 13,568,383,554 | 1 |
| Telecom 3G (Australia) Limited | 1,508,056,509 | 2 |
| Share Direct Nominees Pty | 1,400,000 | 3 |
| Kew Chai Chong & Yook Yan Chang | 300,000 | 4 |
| Perpetual Custodians Limited | 250,000 | 5 |
| Custodials Services Limited | 210,000 | 6 |
| Prabha Chandra & Shubha Chandra | 200,000 | 7 |
| James Neville Brown & Rosemarie Anne Brown | 160,000 | 8 |
| Justin Herbert Gardener & Anne Louise Gardener | 150,000 | 9 |
| Patrick Lik-Tung Lui & Eva Man-Ching Law | 100,000 | 10 |
| National Nominees Limited | 100,000 | 10 |
| Myron Leibowitz | 80,000 | 11 |
| Veredi Pty Ltd | 70,000 | 12 |
| Saul BenedictFreedman & Alexandra Francesca | 60,000 | 13 |
| Kevin J Finegan Pty Ltd | 60,000 | 13 |
| Melpa Company Pty Ltd | 57,160 | 14 |
| Patville Pty Ltd | 57,160 | 14 |
| Kok Liang Chen | 50,000 | 15 |
| Michael John Crandon & Pauline Mary Crandon | 50,000 | 15 |
| Alex Hoang Huynh | 50,000 | 15 |

## Unquoted Equity Securities

### Options issued under the Employee Option Plan

| | |
|---|---|
| Number of Options on issue | 29,120,00 |
| Number of holders | 66 |

## Voting rights

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

(a) Ordinary shares

On a show of hands, every member present, in person or by proxy, attorney or representative, has one vote.

On a poll every member has one vote for each share.

(b) Convertible preference shares

Only in the limited circumstances specified in the Company's Constitution and the terms and conditions of issue of the convertible preference shares, on a show of hands, every holder of convertible preference shares present, in person or by proxy, attorney or representative, has one vote and on a poll every holder of convertible preference shares has one vote in respect of each ordinary share as if immediately before the meeting the convertible preference shares had converted into the number of ordinary shares provided for in the terms and conditions of issue of the convertible preference shares.

(c) Options

No voting rights

# Corporate Directory

## Directors

Fok Kin-ning, Canning
Barry Roberts-Thomson
Chow Woo Mo Fong, Susan
Justin Herbert Gardener
Lai Kai Ming, Dominic
Kevin Russell
John Michael Scanlon
Frank John Sixt
Rod Snodgrass

## Company Secretaries

Edith Shih
Louise Sexton

## Investor Relations

Tel: (02) 9964 4831
Fax: (02) 9964 4649
Email: investors@hutchison.com.au
Web: www.hutchison.com.au

## Registered Office

Building A, 207 Pacific Highway
St Leonards NSW 2065
Tel: (02) 9964 4646
Fax: (02) 9964 4668

## Share Registry

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Tel: (02) 8280 7111
www.linkmarketservices.com.au

## Auditor

PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
Sydney NSW 2000

## Securities Exchange Listing

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

## Notice of Annual General Meeting

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

Date: Monday 19 May 2008
Time: 10.00am

HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED
www.hutchison.com.au

It's good to be 3