

# Hutchison Whampoa Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 13)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

Attached are the text of ASX half year information for the six months ended 30 June 2008 and a media release of 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, 19 August 2008

# Hutchison Telecommunications (Australia) Limited ABN 15 003 677 227

## ASX Half year information – 30 June 2008

Lodged with the ASX under Listing Rule 4.2A.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Hutchison Telecommunications (Australia) Limited  
 Half year ended 30 June 2008  
 (Previous corresponding period:  
 Half year ended 30 June 2007)

**Results for Announcement to the Market**

				\$'000
<b>Revenue</b> from ordinary activities <i>(Appendix 4D item 2.1)</i>	up	23.7%	to	760,935
<b>Loss</b> from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	down	56.7%	to	(85,398)
<b>Net loss</b> for the period attributable to members <i>(Appendix 4D item 2.3)</i>	down	56.7%	to	(85,398)

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

**Record date** for determining entitlements to the interim dividend

N/A

*(Appendix 4D item 2.5)*

N/A

Hutchison Telecommunications (Australia) Limited  
ABN 15 003 677 227

**Half year report – 30 June 2008**

**Directors' report**

Your Directors present their report on the Consolidated Entity consisting of Hutchison Telecommunications (Australia) Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2008.

**Directors**

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

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

Mr Marko BOGOIEVSKI resigned as a Director on 31 January 2008.

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

## Review of operations <sup>1</sup>

During the six months to 30 June 2008, Hutchison continued its strong growth in customer numbers, revenue and EBITDA. 3's customer base grew 28.7% on the previous corresponding period to 1.81 million customers. Total revenue increased by 23.7% to \$760.9 million and EBITDA improved 187.6%, by \$58.9 million to \$90.3 million. Above industry-average ARPU and margin were sustained in an aggressive market. Revenue from non-voice services increased 50.0% to \$208.1 million, including a 118.1% increase in 3G Services revenue. Non-voice services now contribute 29.0% of ARPU up from 24.7% at 30 June 2007. EBIT loss improved 64.7% to \$31.1 million from \$88.0 million.

Compared with the corresponding half year in 2007:

- Active customer base increased 28.7%, by 403,000, to 1.81 million
- Mobile Broadband subscribers grew 322.0% to 346,000 from 82,000
- Total revenue increased 23.7% to \$760.9 million
- Service revenue increased 24.5% to \$683.8 million
- Non-voice revenue increased 50.0% to \$208.1 million
- Average monthly margin improved to \$90.0 million from \$70.3 million
- Average margin per customer was \$52.28 of which \$13.27, or 25.4%, was from non-voice services
- ARPU was \$67.92, including \$19.67 of ARPU from non-voice services
- EBITDA increased 187.6%, by \$58.9 million, to \$90.3 million
- EBIT loss improved 64.7% to \$31.1 million
- Net loss improved 56.7% to \$85.4 million

Under International Accounting Standards, as used by Hutchison Whampoa Limited, the Company was EBIT positive in the half at \$1.3 million. EBIT loss improved 102.6% or \$51.6 million.

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<sup>1</sup> **Customers** reflect active services in operation at the end of the reporting period.  
**Service revenue** excludes revenue from sales of devices, interest income and other income.  
**3G services revenue** is revenue from Planet 3 content services and internet and data access.  
**ARPU** represents rolling 12 month average service revenue per user per month at the end of the period across pre and post-paid customers.  
**Average margin per customer** represents rolling 12 month average margin per customer, across pre and post-paid per month at the end of the period. Margin represents service revenue less interconnect and variable content costs.  
**Mobile Broadband subscribers** represents the number of customers subscribing to either a handset data plan, mobile broadband card or modem, an X-Series plan, or mobile web via a handset, as at the end of June.

## Review of Operating Performance <sup>2</sup>

	Half Year			
	June 2008	Dec 2007	June 2007	Y/Y change
<b>Total revenue (\$m)</b>	<b>760.9</b>	703.7	<b>615.0</b>	23.7%
<b>EBITDA (\$m)</b>	<b>90.3</b>	82.6	<b>31.4</b>	187.6%
<b>NPAT (loss) (\$m)</b>	<b>(85.4)</b>	(87.8)	<b>(197.3)</b>	56.7%
<b>Capital expenditure (\$m)</b>	<b>78.6</b>	133.3	<b>134.7</b>	41.6%
<b>Mobile customers – 3 ('000)</b>	<b>1,808</b>	1,578	<b>1,405</b>	28.7%
- Mobile broadband subscribers ('000)	<b>346</b>	195	<b>82</b>	322.0%
<b>Net customer growth in 3 ('000)</b>	<b>230</b>	173	<b>160</b>	n/a
<b>Post-paid %</b>	<b>90.7%</b>	89.2%	<b>88.8%</b>	1.9%
<b>Pre-paid %</b>	<b>9.3%</b>	10.8%	<b>11.2%</b>	-1.9%
<b>ARPU</b>	<b>\$67.92</b>	\$68.61	<b>\$69.16</b>	-1.8%
<b>ARPU voice</b>	<b>\$48.25</b>	\$50.30	<b>\$52.07</b>	-7.3%
<b>ARPU non-voice</b>	<b>\$19.67</b>	\$18.31	<b>\$17.09</b>	15.1%
– Non-voice, non-SMS	<b>\$9.07</b>	\$7.77	<b>\$7.10</b>	27.7%
– SMS	<b>\$10.60</b>	\$10.54	<b>\$9.99</b>	6.1%
<b>Average margin per customer</b>	<b>\$52.28</b>	\$52.13	<b>\$51.80</b>	0.9%
– voice margin per customer	<b>\$39.01</b>	\$40.16	<b>\$40.60</b>	-3.9%
– non-voice margin per customer	<b>\$13.27</b>	\$11.97	<b>\$11.20</b>	18.5%
<b>Planet 3 and internet access events (millions)</b>	<b>82.6</b>	72.1	<b>61.0</b>	35.4%
<b>Customers billed for non-voice, non-SMS services</b>	<b>64.7%</b>	63.7%	<b>63.8%</b>	0.9%
<b>SMS sent (millions)</b>	<b>886</b>	848	<b>589</b>	50.4%
<b>Customer acquisition cost</b>	<b>\$227</b>	\$251	<b>\$276</b>	-17.8%

<sup>2</sup> **EBITDA** represents service revenue less interconnect cost and running operating expenditure plus capitalised incremental direct acquisition and retention costs in accordance with AIFRS.

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

**Planet 3 and internet access events** is the number of times customers access the internet or Planet 3 Content services either from a handset or a modem

## **Financial performance – key results**

During the first half of 2008 the Company improved key financial results due to strong growth in customer numbers and revenue.

Total revenue, which includes voice and non-voice revenue, for the six months ended 30 June 2008 increased 23.7% on the previous corresponding period to \$760.9 million. Service revenue rose by 24.5% to \$683.8 million.

In the first half of 2008, the Company had an average monthly margin of \$90.0 million, up 28.0% from \$70.3 million per month in the first half of 2007. The margin per customer per month was \$52.28, steady for the past 18 months despite intensified competitive pressure and reduced termination rates in 2007.

The business generated a positive EBITDA result of \$90.3 million in the half year, an improvement of \$58.9 million, or 187.6%, compared with the half year ended 30 June 2007. The EBITDA result was supported by a 78.9% operating margin, up from 76.8% in the previous corresponding period.

Capital expenditure in the half-year was \$78.6 million, compared with \$134.7 million in the previous corresponding period.

The Company recorded a net loss of \$85.4 million for the half year ending 30 June 2008, a 56.7% improvement on the net loss for the previous corresponding period.

## **Strong customer growth in aggressive market**

In the six months ended 30 June 2008, 3's customer base grew by 230,000 to 1.81 million. 1.64 million or 90.7% were post-paid customers.

Postpaid customer churn of 1.1% per month in the first half has been maintained at an industry low and reflects the Company's continuing investment in customer services, including 3 Service Centres and retention activities. Customer satisfaction levels, as measured by both internal and external surveys, continue to be strong.

### **3G services continue growth trend**

In the first half of 2008, **3** continued to experience strong uptake of 3G services, delivering a 50.0% increase in non-voice revenue to \$208.1 million. Non-voice services now contribute 29.0%, or \$19.67 of ARPU.

The number of customers accessing Planet 3 and the internet from **3**'s devices increased 35.4% from the previous corresponding period. This reflects the strong uptake of Mobile Broadband and increasing appetite for 3G services and, in particular, open internet access through HSPA enabled handsets, of which there are now 19 in our range of 29 handsets.

**3**'s Mobile Broadband offers remain among the most competitive in the market. Our simple offers with generous data allowances at low prices have successfully increased the take-up of Mobile Broadband in the first half of 2008.

By 30 June 2008, the number of Mobile Broadband subscribers<sup>3</sup> had grown to 346,000 up 322.0% since 30 June 2007.

### **A network built for 3G services**

Coverage has continued to improve in 2008. The 3GIS joint venture (with our partner, Telstra Corporation Limited) added further sites to the network bringing the total number at 30 June 2008 to 2,650. These sites have been infill sites within the existing coverage footprint.

Customers currently experience a typical downlink speed of between 600 Kbps and 1.5 Mbps with a theoretical maximum of 3.6Mbps, and an uplink speed of 1.4Mbps. Network enhancements to bring the downlink speed up to 7.2 Mbps are continuing and increase the theoretical maximum downlink speed to 6.4Mbps, comparable with speeds experienced by customers on Australia's fastest networks.

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<sup>3</sup> **Mobile Broadband subscribers** represents the number of customers subscribing to either a handset data plan, mobile broadband card or modem, an X-Series plan, or mobile web via a handset, as at the end of June.



## Analysis of Financial Performance<sup>4</sup>

Summary Income Statement	Half Year			Y/Y change
	June 2008	Dec 2007	June 2007	
\$million				
<b>Total revenue from continuing operations</b>	<b>760.9</b>	703.7	<b>615.0</b>	23.7%
<b>Service revenue</b>	<b>683.8</b>	622.8	<b>549.2</b>	24.5%
<b>Costs of interconnection and variable content</b>	<b>(144.1)</b>	(132.6)	<b>(127.5)</b>	-13.0%
<b>Margin</b>	<b>539.7</b>	490.2	<b>421.7</b>	28.0%
<b>Margin %</b>	<b>78.9%</b>	78.7%	<b>76.8%</b>	2.1%
<b>Running operating expenditure</b>	<b>(475.2)</b>	(429.8)	<b>(414.4)</b>	-14.7%
<b>Capitalisation</b>	<b>25.8</b>	22.2	<b>24.1</b>	7.1%
<b>EBITDA</b>	<b>90.3</b>	82.6	<b>31.4</b>	187.6%
<b>Depreciation</b>	<b>(59.8)</b>	(60.9)	<b>(69.4)</b>	13.8%
<b>Amortisation</b>	<b>(61.6)</b>	(57.6)	<b>(50.0)</b>	-23.2%
<b>EBIT (loss)</b>	<b>(31.1)</b>	(35.9)	<b>(88.0)</b>	64.7%
<b>Finance cost</b>	<b>(54.3)</b>	(51.9)	<b>(109.3)</b>	50.3%
<b>Loss before tax</b>	<b>(85.4)</b>	(87.8)	<b>(197.3)</b>	56.7%
<b>Tax</b>	-	-	-	n/a
<b>Loss after tax</b>	<b>(85.4)</b>	(87.8)	<b>(197.3)</b>	56.7%
<b>Minority interest</b>	-	-	-	n/a
<b>NPAT (loss)</b>	<b>(85.4)</b>	(87.8)	<b>(197.3)</b>	56.7%

<sup>4</sup> Costs of interconnection and variable content includes fixed line and mobile interconnect expenses plus variable content costs

## Running operating expenditure

\$million	Half Year			Y/Y change
	June 2008	Dec 2007	June 2007 <sup>5</sup>	
<b>Other direct costs of provision of telecommunications services and goods</b>	<b>239.7</b>	216.0	<b>187.8</b>	-27.6%
<b>Net cost of handsets sold</b>	<b>105.0</b>	94.5	<b>100.6</b>	-4.4%
<b>Employee benefits expense</b>	<b>64.7</b>	58.8	<b>55.7</b>	-16.2%
<b>Advertising and promotion expenses</b>	<b>29.6</b>	24.3	<b>28.3</b>	-4.6%
<b>Other operating expenses</b>	<b>45.6</b>	38.8	<b>48.6</b>	6.2%
<b>Other income</b>	<b>(0.5)</b>	0.1	<b>(4.5)</b>	-88.9%
<b>Share of net profits of joint venture partnership accounted for using equity method</b>	<b>(5.3)</b>	(0.9)	<b>(0.5)</b>	960.0%
<b>Interest and rental income</b>	<b>(3.6)</b>	(1.7)	<b>(1.6)</b>	125.0%
<b>Total running operating expenditure</b>	<b>475.2</b>	429.9	<b>414.4</b>	14.7%

Total running operating expenditure increased by 14.7% compared with the first half of 2007. Within the total, other direct costs of providing telecommunications increased by \$51.9 million compared with the first half of 2007. Domestic roaming charges are a significant contributor to this increase and the Company plans to build additional sites in our highest roaming areas. This is expected to provide significant savings.

Net handset subsidies of \$105 million reflect stronger underlying activity in acquisitions and retention.

Employee benefits expense was \$9 million higher than reported in the first half of 2007 due principally to salary costs. This included wage increases in a tight labour market and new staff in direct customer facing roles as a result of our retail growth and 3 Service Centres.

Expenditure on advertising and promotions increased just 4.6% to \$29.6 million.

Other operating expenditure including travel and accommodation, consulting and professional fees, bad debt, ACMA and USO levies, general repairs and maintenance, and office expenses reduced by 6.2% on the corresponding half year in 2007.

Finance costs were \$54.3 million, or 50.3%, less than in the half year to 30 June 2007. At current interest rates, the \$2.85 billion recapitalisation in 2007 is delivering annualised savings of \$290 million.

<sup>5</sup> Restated to December 2007 classifications

## **Outlook**

In the second half of 2008, we will continue to provide customers with a range of high-value voice and data plans for the latest 3G HSPA-enabled handsets and USB modems. We will continue to deliver a strong range of handsets and mobile broadband devices taking advantage of our global buying power on key strategic devices. Our retail footprint will continue to expand via both exclusive dealers and company-owned stores in selected areas.

The strong uptake in 3 Mobile Broadband is expected to continue. Mobile Broadband and access to internet from handsets will continue to get faster with the upgrade of the network to 7.2 Mbps, which will continue to roll out during the second half of 2008 and be substantially complete in the first half of 2009, providing peak speeds of up to 6.4 Mbps. During this period, we expect a noticeable increase in the range of mobile broadband devices and smart-phones at mass market price points, providing a catalyst to further increase the use of mobile data.

We also expect to see more second services on customer accounts as customers increasingly take up both Mobile Broadband USB modems and handsets. This will also continue to drive non-voice revenue growth.

By quarter 2 next year, we will have in place key initiatives to provide our customers with access to 3G services in areas covering 96% of the population, up from 56% today. This includes additional network fringe build in areas with the highest levels of roaming, with around 50 sites planned for completion prior to December 2008. We have also put in place arrangements for 3G roaming on parts of Telstra's 850MHz network from early next year. This will be supplemented by our existing 2G roaming services with reduced wholesale roaming costs from September 2008.

Telecom Corporation of New Zealand's option to increase its shareholding to 19.94% of the Company at an exercise price of \$300 million remains in place until 31 December 2008.

The Company restates its expectation to exit the year EBIT positive on a monthly basis and we look forward to a strong performance in the second half of the year.

## **Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

## **Rounding of amounts**

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

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



~~FOK Kin-ning, Canning~~

Director

19 August 2008

## Auditors' Independence Declaration

As lead auditor for the review of Hutchison Telecommunications (Australia) Limited for the half year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

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



RL Wilkie  
Partner  
PricewaterhouseCoopers

Sydney  
19 August 2008

**Hutchison Telecommunications (Australia) Limited**  
**Consolidated income statement**  
**For the half-year ended 30 June 2008**

	Half-year	
	2008	2007
	\$'000	\$'000
<b>Revenue from continuing operations</b>	<b>760,935</b>	614,952
Cost of interconnection and variable content costs	<b>(144,114)</b>	(127,545)
Other direct costs of provision of telecommunication services and goods	<b>(239,708)</b>	(187,757)
Cost of handsets sold	<b>(178,551)</b>	(164,702)
Employee benefits expense	<b>(64,702)</b>	(55,696)
Advertising and promotion expenses	<b>(29,574)</b>	(28,337)
Other operating expenses	<b>(45,563)</b>	(48,635)
Other income	<b>465</b>	4,487
Share of net profits of joint venture partnership accounted for using the equity method	<b>5,300</b>	500
Capitalisation of customer acquisition and retention costs	<b>25,770</b>	24,135
Depreciation expense	<b>(59,760)</b>	(69,333)
Amortisation expense	<b>(61,611)</b>	(50,018)
Finance costs	<b>(54,285)</b>	(109,317)
<b>Loss before income tax</b>	<b>(85,398)</b>	(197,266)
Income tax expense	-	-
<b>Loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited</b>	<b>(85,398)</b>	(197,266)
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	<b>(11.33)</b>	(29.07)
Diluted earnings per share	<b>(11.33)</b>	(29.07)

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

**Hutchison Telecommunications (Australia) Limited**  
**Consolidated balance sheet**  
**As at 30 June 2008**

	30 June 2008 \$'000	31 December 2007 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	149,313	34,894
Trade and other receivables	327,540	313,858
Inventories	48,301	106,838
Other	17,270	15,788
<b>Total Current Assets</b>	<b>542,424</b>	<b>471,378</b>
<b>Non-Current Assets</b>		
Receivables	187,591	177,169
Investment accounted for using the equity method	7,335	2,035
Property, plant and equipment	1,023,959	1,015,906
Intangible assets	953,456	989,296
Other	3,012	3,196
<b>Total Non-Current Assets</b>	<b>2,175,353</b>	<b>2,187,602</b>
<b>Total Assets</b>	<b>2,717,777</b>	<b>2,658,980</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	616,061	474,776
Borrowings	101,041	301,784
Provisions	1,647	2,453
Other	11,023	8,478
<b>Total Current Liabilities</b>	<b>729,772</b>	<b>787,491</b>
<b>Non-Current Liabilities</b>		
Borrowings	1,001,293	800,028
Provisions	2,118	1,691
<b>Total Non-Current Liabilities</b>	<b>1,003,411</b>	<b>801,719</b>
<b>Total Liabilities</b>	<b>1,733,183</b>	<b>1,589,210</b>
<b>Net Assets</b>	<b>984,594</b>	<b>1,069,770</b>
<b>EQUITY</b>		
Contributed equity	4,204,488	4,204,488
Reserves	69,977	69,755
Accumulated losses	(3,289,871)	(3,204,473)
<b>Total Equity</b>	<b>984,594</b>	<b>1,069,770</b>

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

**Hutchison Telecommunications (Australia) Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 30 June 2008**

	<b>Half-year</b>	
	<b>2008</b>	2007
	<b>\$'000</b>	\$'000
<b>Balance at 1 January 2008</b>	<b>1,069,770</b>	(1,831,399)
Changes in the fair value of cash flow hedges, net of tax	-	(2,318)
<b>Net income recognised directly in equity</b>	<b>-</b>	(2,318)
Loss for the period	<b>(85,398)</b>	(197,266)
<b>Total recognised income and expense for the year</b>	<b>(85,398)</b>	(199,584)
Transactions with equity holders in their capacity as equity holders:		
Contribution to equity, net of transaction costs	-	2,843,227
Employee share options - value of employee services	<b>222</b>	(505)
<b>Subtotal</b>	<b>222</b>	2,842,722
<b>Balance at 30 June 2008</b>	<b>984,594</b>	811,739
<b>Total recognised income and expense for the year is attributable to:</b>		
Members of Hutchison Telecommunications (Australia) Limited	<b>(85,398)</b>	(199,584)
	<b>(85,398)</b>	(199,584)

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



**Hutchison Telecommunications (Australia) Limited**  
**Consolidated cash flow statement**  
**For the half-year ended 30 June 2008**

	<b>Half-year</b>	
	<b>2008</b>	2007
	<b>\$'000</b>	\$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers (inclusive of GST)	<b>855,239</b>	637,526
Payments to suppliers and employees (inclusive of GST)	<b>(575,096)</b>	(607,263)
	<b>280,143</b>	30,263
Interest received	<b>2,939</b>	2,617
Rental income	<b>121</b>	618
Finance costs paid	<b>(43,267)</b>	(166,797)
<b>Net cash inflows / (outflows) from operating activities</b>	<b>239,936</b>	(133,299)
<b>Cash Flows from Investing Activities</b>		
Payments for property, plant and equipment	<b>(82,513)</b>	(88,547)
Loans to joint venture	<b>(16,463)</b>	(45,628)
Loans to subsidiaries	<b>-</b>	-
Payments for intangible assets	<b>(25,771)</b>	(24,135)
<b>Net cash (outflows) from investing activities</b>	<b>(124,747)</b>	(158,310)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issues of shares and other equity securities	<b>-</b>	2,843,227
Proceeds from borrowings	<b>-</b>	266,409
Repayment of borrowings -bank loans	<b>-</b>	(950,000)
Repayment of borrowings -convertible notes	<b>-</b>	(598,096)
Repayment of borrowings -related parties	<b>-</b>	(1,020,821)
Repayment of borrowings -parent entity	<b>-</b>	(196,000)
Repayment of finance lease	<b>(770)</b>	(2,088)
<b>Net cash inflows from financing activities</b>	<b>(770)</b>	342,631
<b>Net increase in cash and cash equivalents</b>	<b>114,419</b>	51,022
Cash and cash equivalents at 1 January	<b>34,894</b>	23,593
<b>Cash and cash equivalents at 30 June</b>	<b>149,313</b>	74,615

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

# **Hutchison Telecommunications (Australia) Limited**

## **Notes to the consolidated financial statements**

### **For the half-year ended 30 June 2008**

#### **1 Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 30 June 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

#### **Going concern disclosures**

As at 30 June 2008, the Consolidated Entity, has a deficiency of net current assets of \$187 million. The Consolidated Entity has also experienced operating losses and negative cash flows during the financial period 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 19 August 2008.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by Hutchison Telecommunications (Australia) Limited, during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

#### **2 Segment information**

##### **Business Segment**

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

##### **Geographical Segment**

The Consolidated Entity operated entirely within Australia.

### 3 Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 30 June 2008 are as follows:

	Half - year 2008 \$'000	2007 \$'000
<b>Guarantees</b>		
Secured guarantees in respect of leases and loans of controlled entities.	4,315	4,315
Unsecured guarantees in respect of leases of controlled entities.	32,394	31,840
	<u>36,709</u>	<u>36,155</u>

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.

### 4 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.

**Directors' declaration**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 18 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 consolidated entity's financial position as at 30 June 2008 and of its performance for the half-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.

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



FOK Kin-ning, Canning  
Director

19 August 2008

## Hutchison Telecommunications (Australia) Limited

### Supplementary Appendix 4D information

#### **NTA Backing** *(Appendix 4D item 3)*

	2008	2007
Net tangible asset backing per ordinary share	\$0.04	\$0.19

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

N/A

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

Details of dividends/distributions declared or paid during or subsequent to the half-year ended 30 June 2008 – N/A

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

N/A

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

##### **Jointly Controlled Entity**

In December 2004 a controlled entity, Hutchison 3G Australia Pty Limited, established a 50% interest in a new partnership, 3GIS Partnership ('3GIS'), with Telstra OnAir Holdings Pty Limited. 3GIS's principal activity is the operation and construction of 3G radio access network infrastructure. The interest in 3GIS is accounted for in the consolidated financial statements using the equity method and is carried at cost.

The aggregate share of profits from 3GIS for the half-year ended 30 June 2008 is \$5,300,000 (2007: \$500,000).

##### **Jointly controlled Asset**

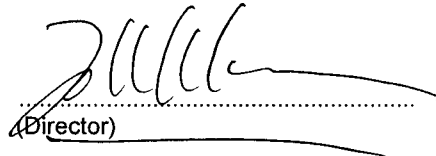
Under the same joint venture agreement, the ownership of the 50% of the existing 3G radio access network infrastructure remains with Hutchison 3G Australia Pty Limited. On this basis the network assets are proportionally consolidated under the following classifications:

	<b>June 2008</b>	Dec 2007
	<b>\$'000</b>	\$'000
<b>Non-current assets</b>		
Plant and equipment	<b>356,249</b>	356,249
Less: Accumulated depreciation	<b>(69,996)</b>	(60,048)
	<b>286,253</b>	296,201

## Hutchison Telecommunications (Australia) Limited Compliance statement

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

Sign here:

  
.....  
(Director)

Date: 19 August 2008

Print name: FOK Kin-ning, Canning

**INDEPENDENT AUDITOR'S REVIEW REPORT to the  
members of Hutchison Telecommunications (Australia)  
Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Hutchison Telecommunications (Australia) Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Hutchison Telecommunications (Australia) Limited Group (the consolidated entity). The consolidated entity comprises both Hutchison Telecommunications (Australia) Limited (the company) and the entities it controlled during that half-year.

***Directors' Responsibility for the Half-Year Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hutchison Telecommunications (Australia) Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website  
<http://www.pwc.com/au/financialstatementaudit>.

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

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

### ***Independence***

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

### ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hutchison Telecommunications (Australia) Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*RL Wilkie*

RL Wilkie  
Partner

Sydney  
19 August 2008





**Hutchison Telecommunications  
(Australia) Limited**

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## Media Release

### **3 Continues Strong Growth Path & Expanding to 96% 3G Coverage**

**Customer base up 29%**

**Revenue up 24%**

**EBITDA up \$59 million**

**96% 3G network coverage through new build and 3G roaming**

**Sydney, 19 August 2008:** Hutchison Telecommunications (Australia) Limited (ASX:HTA) today announced 3's continued growth in the first six months to June, with significant increases in customer numbers, revenue and improvements to the bottom line.

High value cap plans, leading mobile broadband offers and a focus on customer retention resulted in 3's customer base increasing 29% to 1.81 million in the six months to June 2008 on the previous corresponding period. Mobile broadband subscribers<sup>1</sup> grew 322% to 346,000 from 82,000. Postpaid customer churn remained at an industry low of 1.1%.

A strong operating performance is keeping the company on track to exit 2008 EBIT positive on a monthly basis. Total revenue increased 24% to \$760.9 million. EBITDA increased 188% to \$90.3 million and EBIT loss improved 65% to \$31.1 million. The Company's net loss improved 57% to \$85.4 million.

"We are focused on maintaining our strong growth path and exiting 2008 EBIT positive on a monthly basis," said Nigel Dews, Chief Executive Officer, Hutchison Telecoms. "In an aggressive market 3 has continued to deliver market leading offers, a great range of 3G devices and strong 3G services."

Monthly average revenue per user (ARPU) was \$67.92. \$19.67 was from non-voice services, a 15% increase on the previous corresponding period. Despite falling interconnect rates and the prevalence of cap plans, average monthly margin per customer remained steady at \$52.28. During the half, customers experienced 82.6 million internet access and Planet 3 content events and 65% of 3's customers were billed for this service each month.

"Our customers are using more 3G services than ever before – particularly the internet. A massive 29% of our ARPU now comes from non-voice services. A greater level of awareness of ways customers can use their mobile phones, our transparent pricing and a better customer experience are driving this," Mr Dews said.

#### **3G Coverage to 96% of Population**

3 also today announced that during the first half of 2009 it would be providing its customers access to 3G services in areas covering 96% of the population, up from 56% today. This includes additional network build in areas with the highest levels of roaming, such as the Central Coast and Newcastle in NSW and the Mornington Peninsula in Victoria. 3 has also put in place arrangements for 3G roaming on parts of Telstra's 850MHz network. This will be supplemented by 3's existing roaming on Telstra's 2G network (which already covers 96% of the population for talk, SMS, MMS, IM and email services) with reduced wholesale roaming costs from September 2008.

<sup>1</sup> Mobile broadband subscribers represents the number of customers with either a handset data plan, a mobile broadband modem, an X-Series plan or mobile web via a handset.

“With these new network initiatives we will give our customers access to their favourite 3G services from 3 whether they are at home, at work, or on holiday,” Mr Dews said.

**Financial and operating highlights include:**

(all percentage increases are on previous corresponding period)

- Customer base increased by 403,000 since June 2007 and 230,000 in the first 6 months to June 2008
- 1.81 million active customers, an increase of 29%. 91% of the base are post paid
- 346,000 mobile broadband subscriptions, up 322%
- 24% increase in total revenue to \$760.9 million
- ARPU of \$67.92 with non-voice ARPU of \$19.67, up 15%
- Non-voice ARPU excluding SMS of \$9.07 up 28%
- Average margin per customer \$52.28.
- Average non-voice margin per customer \$13.27 of non-voice margin, up 19%
- \$90.3 million positive EBITDA, an increase of \$58.9 million
- EBIT loss of \$31.1 million, an improvement of 65%
- Net loss of \$85.4 million, an improvement of 57%

**Non-voice service usage highlights include:**

- 82.6 million content and internet access events were experienced
- 65% of 3's customers paid for these services each month.
- 346,000 subscriptions to Mobile Broadband services (inc X-Series, Mobile Broadband card & USB and handset as a modem)

- Ends -

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