Hutchison Telecoms

ANNUAL REPORT 2003

A CLEAR DIRECTION

2003: A LANDMARK YEAR FOR HUTCHISON.

3 SUCCESSFULLY LAUNCHES AND ORANGE ENHANCES ITS FINANCIAL PERFORMANCE.

CONSISTENT WITH OUR CLEAR DIRECTION WE HAVE ESTABLISHED A PLATFORM TO MAKE SIGNIFICANT MARKET SHARE GAINS IN THE AUSTRALIAN MARKET IN 2004 AND BEYOND.

CONTENTS

OUR BRANDS

OUR GOALS AND OFFERINGS

Our stated goals are to lead the delivery of innovative multimedia services in the Australian mobile market, and be the industry provider of choice for value-based voice and basic messaging services.

As we believe the market is evolving into two distinct segments, we approach these goals within two complementary customer offerings:

3

This year, Hutchison launched **3** in Australia.

3 is our flagship brand for third generation communication services: a major step forward in wireless evolution, representing the next phase of growth in mobile services.

We have built a wide range of services leveraging the high-speed data transmission capabilities and network efficiencies of third generation technologies.

3 offers a unique suite of video information and entertainment services such as news, sport, finance and comedy as well as movie previews and multimedia games. **3** is Australia's only mobile network to provide customers with the ability to communicate face-to-face and offers a comprehensive suite of messaging services covering video, picture, email, SMS and voicemail.

ORANGE

Orange provides customers with strong, value-based voice and basic messaging services.

Orange offers three core products:

Orange Mobile combines the superior call quality features of CDMA network technology with Orange's simple plans. Our low flat call rates, anywhere, anytime, provide customers with one of the simplest and fairest mobile services in the Australian market.

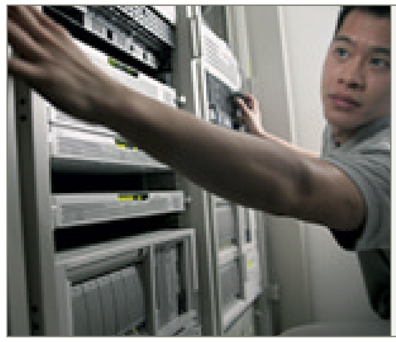
Orange Paging offers text and tone paging through our national network infrastructure.

Orange Information Services offer live access to the world's financial markets in either a portable or desktop solution.

orange™

MILESTONES

2003 IN REVIEW



▶ JANUARY

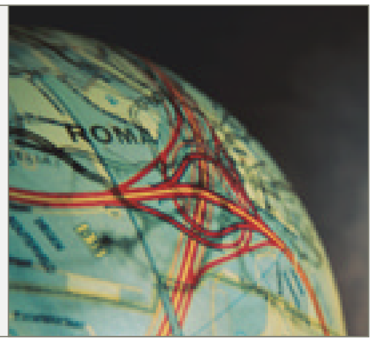
INDUSTRY-LEADING MANAGED SERVICES AGREEMENT IMPLEMENTED

Hutchison implements a world-leading agreement with Ericsson Australia for the operation of its paging, CDMA and W-CDMA networks and services platforms.

▶ FEBRUARY

FIRST SUCCESSFUL INTERNATIONAL VIDEO CALL USING 3 TRIAL NETWORK

Hutchison CEO, Kevin Russell, makes the first international mobile video call to CEO of **3** Italy, demonstrating the Australian **3** network is ready for commercial launch.



▶ MARCH

HUTCHISON WHAMPOA'S OPERATIONS IN ITALY AND UK FIRST TO LAUNCH 3

Sister operations **3** Italy and **3** United Kingdom first to launch commercial W-CDMA networks in Europe.

▶ APRIL

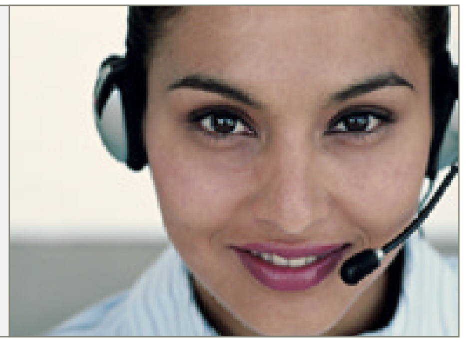
3 IS LAUNCHED IN SYDNEY AND MELBOURNE

3 launches with Australia's first inter-state mobile video call between Sydney and Melbourne by NSW Premier Bob Carr and Victorian Premier Steve Bracks.

▶ MARCH

GLOBAL CALL CENTRE ESTABLISHED

Hutchison Whampoa inaugurates a global call centre in India dedicated to support the group's English speaking operations in Australia and the UK.



▶ JULY

3 EXPANDS ITS REACH

3's network in Australia is expanded to cover Perth, Adelaide, Brisbane and the Gold Coast.

▶ AUGUST

50,000 CUSTOMERS ON 3

3 acquires its 50,000th customer only four months after launch, demonstrating strong consumer demand for **3**'s unique offering.

▶ NOVEMBER

50th FLAGSHIP 3 SHOP OPENS IN GEORGE ST, SYDNEY

The 50th company owned **3** shop opens with a flagship presence in George St, Sydney. The shop is one of over 250 retail points of presence, including dealerships, across Australia.

▶ DECEMBER

3 BRAND AWARENESS REACHES 92%

The marketing and sponsorship success of **3** drives prompted brand awareness to 92%.

▶ NOVEMBER

NUMBER OF ORANGE CUSTOMERS RISES PAST 300,000

Orange outperforms market post-paid growth and celebrates 300,000 customers on its network.

▶ DECEMBER

LIVE INTERNATIONAL VIDEO CALL HERALDS 3 SERVICES IN HONG KONG

3 Hong Kong announces a launch date of January 2004, becoming the seventh Hutchison network worldwide to launch **3** services following Australia, Austria, Denmark Italy, Sweden and UK.

▶ DECEMBER

ORANGE ANNOUNCES NETWORK CAPACITY UPGRADE

Strong customer growth prompts Orange to award Samsung the contract for capacity expansion of the CDMA network, with a combination of IS95 and 1XRTT technology.

DRIVING GROWTH

CHAIRMAN'S REPORT

FOK KIN-NING, CANNING
CHAIRMAN

Dear Shareholder,

2003 was a year of significant achievement for Hutchison, with continued strong customer growth and positive EBITDA in the Orange business and the successful launch of **3**, Australia's first third generation (3G) mobile business.

We have opened a window of significant opportunity with **3** and we intend to fully exploit that opportunity in 2004 and beyond. We have now established a significant lead on our competitors; we have overcome the challenges that our competitors are yet to face; and we are delivering both voice and multimedia services of appeal to Australian mobile consumers.

As anticipated, the deployment of **3** has required significant investment. However, the resulting losses are within plan and in step with planning for the global implementation of **3**. Hutchison has sufficient financial backing to ensure it has the staying power to maintain a long-term competitive position in the Australian mobile market. **3** has made enormous operational progress in 2003 and is entering 2004 with the necessary platform to move forward to rapidly build profitable market share.

Our two mobile networks, Orange and **3**, are working in a complementary way to address all areas of the post paid mobile market. As Orange continues to grow profitable market share by targeting voice-centric customers, **3** has positioned itself to capture the untapped potential of the next wave of growth from multimedia mobile services.

A STRONG FOUNDATION FOR GROWTH

In 2003, the successful launch of **3**'s ground breaking new mobile services was our top priority. This launch included building **3**'s brand awareness, establishing an initial customer base and bedding down our operational performance.

The combined **3** and Orange mobile customer base grew by 56% in 2003, delivering a strong increase in operating revenue. Total revenue of $340.1 million, compared with $227.3 million in the previous year, included $251.9 million in Orange and $88.2 million of revenue in **3** in less than eight months of operation.

In its first ten months of operation, **3** has delivered over 100,000 quality customers, with average monthly spending well above the market average.

This landmark was achieved despite the retarding effect of a shortage of handset supply in the second half of the year.

3 had strong initial customer uptake as early adopters responded to the unique service offering and strong pricing appeal of our introductory offer. Global supplies of the initial handsets were sold in a few months. Delivery of the new models to follow the initial handsets was anticipated in the third quarter. However, suppliers achieved only limited deliveries, seriously impairing our customer growth prospects in the fourth quarter of 2003. This issue has been resolved and, early this year, suppliers commenced delivery of new handset models in commercial quantities. With improved service offerings and continuing price appeal, our commercial offers are now being better received than ever before.

As a result of start-up expenditure consistent with its early stage of development, **3** recorded a negative EBITDA of $306.1 million, compared with a negative EBITDA of $84.7 million in 2002.

Our peak funding expectation for **3** continues on track. To meet funding requirements, Hutchison has raised $750 million in short-term facilities from leading local and international financial institutions. Additional funding requirements will be raised with the continued support of our parent company, Hutchison Whampoa Limited.

In highly competitive conditions, Orange continued to outperform market growth rates and maintained tight control of operating costs. The business recorded its third consecutive half-year positive EBITDA performance including its first full-year positive result of $21.6 million, compared with a full-year loss of $14.1 million in 2002.

The solid financial performance of Orange mobile was underpinned by 23% growth in customers to over 325,000, supporting total revenue of $221.9 million, an increase of 15% on the previous year.

A CLEAR DIRECTION

This year we have established the right platform for growth for both **3** and Orange. We are now well positioned to deliver strong customer and revenue growth in both businesses in 2004 and beyond, and to cement a leadership position for **3** in the Australian market for the provision of multimedia wireless services.

FOK KIN-NING, CANNING
CHAIRMAN

FINANCIAL HIGHLIGHTS

	2003 $ m	2002 $ m
3 revenue	88.2	–
Orange mobile revenue	221.9	192.7
Other services revenue	30.0	34.6
Total revenue[1]	**340.1**	227.3
3 operating expenses	-347.6	-84.7
Orange operating expenses	-223.9	-247.3
Total operating expenses	**-571.5**	-332.0
3 EBITDA	-306.1	-84.7
Orange EBITDA	21.6	-14.1
Total EBITDA[2]	**-284.5**	-98.8
NPAT	**-409.8**	-197.3

TOTAL REVENUE increased by 50% mainly due to the new revenue streams from **3** and the expanded customer base in the Orange mobile business.

TOTAL OPERATING EXPENSES increased by $239.5 million, reflecting a 9% improvement in the cost base of the Orange business, offset by operating expenditure associated with the launch of the **3** business including network, customer acquisition and care costs.

TOTAL EBITDA result reflected the first full-year positive EBITDA result in the Orange business offset by start-up losses in the **3** business which are consistent with the early stage of development of the business.

NET LOSS AFTER TAX increased by $212.5 million, principally attributable to the launch of **3**. Post launch commencement of depreciation and amortisation of the **3** network and licence costs plus borrowing costs resulted in an increased charge in the consolidated profit and loss account of $151.3 million.

[1] Total revenue from operating activities and excludes interest income and other non-operating revenue.

[2] EBITDA includes all subscriber acquisition costs (including those customer acquisition costs capitalised in accordance with UIG 42).

THE RESULTS

KEY OPERATING RESULTS

REVENUE SURGES BY 50%

Total operating revenue increased by 50% due mainly to the new revenue streams from **3** and the expanded customer base in the Orange mobile business.

REVENUE: 3

2002	N/A
2003	$88.2 M

REVENUE: ORANGE MOBILE

2002	$192.7 M
2003	$221.9 M

TOTAL REVENUE

2002	$227.3 M
2003	$340.1 M

STRONG GROWTH IN MOBILE CUSTOMER NUMBERS

The Orange mobile customer base grew by 23% over the 12 months to 31 December, with over 60,000 additional post-paid customers on the network and net growth in the second half of 46,319 or 17%.

The Company's **3** network, which was launched during the year, had 86,758 customers by the end of the year, with 68,323 net post-paid additions in the second half. In February 2004 the Company announced it had over 100,000 customers on the network.

MOBILE CUSTOMER BASE: 3

2002	N/A
2003	86,758

MOBILE CUSTOMER BASE: ORANGE MOBILE

2002	263,501
2003	325,180

TOTAL MOBILE CUSTOMER BASE

2002	263,501
2003	411,938

3: ATTRACTING A HIGH QUALITY CUSTOMER BASE

3's unique service and pricing offer has attracted high spend customers with propensity for above average usage in both voice and non-voice services. As a result, reported ARPU of $80 and 300 monthly minutes of use is significantly above industry average.

AVERAGE MONTHLY REVENUE PER USER (ARPU)

2002	N/A
2003	$80

AVERAGE MINUTES OF USAGE PER CUSTOMER PER MONTH

2002	N/A
2003	300

ORANGE: SOLID PERFORMANCE, STRONG IMPROVEMENT IN MARGINS

Higher margin mobility minutes increased from 46% to 74% of overall usage. The decline in lower margin 'Local Zone' minutes as well as the introduction of call credits and call rate incentives contributed to a 10% decline in post-paid ARPU.

ARPU

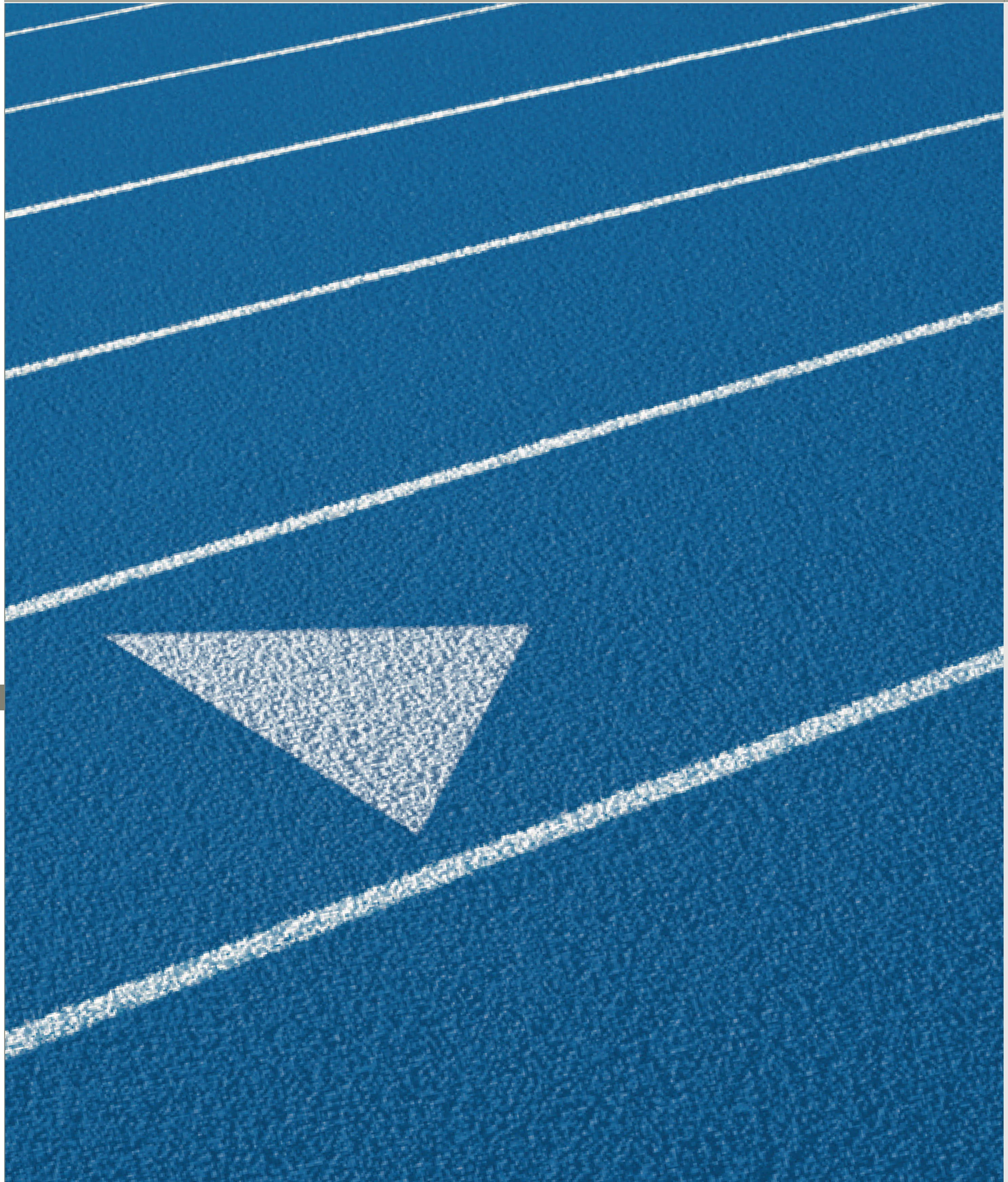
2002	$61
2003	$55

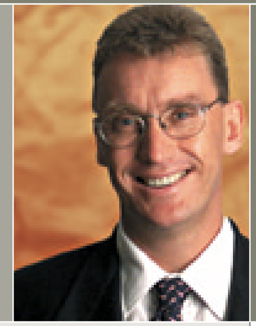
MINUTES OF USAGE PER CUSTOMER PER MONTH

	LOCAL ZONE MINUTES	MOBILITY MINUTES	
2002	83	71	46% MOBILITY MINUTES
2003	35	100	74% MOBILITY MINUTES

ON TRACK

CHIEF EXECUTIVE OFFICER'S REPORT





KEVIN RUSSELL
CHIEF EXECUTIVE OFFICER

2003 WAS A WATERSHED YEAR FOR HUTCHISON, MARKED BY TWO OUTSTANDING ACHIEVEMENTS: THE SUCCESSFUL LAUNCH OF 3, AUSTRALIA'S FIRST AND ONLY THIRD GENERATION MOBILE BUSINESS, AND THE BREAKTHROUGH TO A FULL YEAR OF POSITIVE EBITDA PERFORMANCE IN ORANGE.

WE STARTED THE YEAR WITH A CLEAR AIM – TO GET 3 UP AND RUNNING AND TO ACCELERATE PROFITABLE CUSTOMER GROWTH IN ORANGE. WE ACHIEVED OUR AIM, AND, IN THE EARLY MONTHS OF 2004, ARE MOVING FORWARD WITH STRONG SALES MOMENTUM IN BOTH BUSINESSES.

WE EXIT 2003 WELL ON TRACK, WITH A STRONG PLATFORM ESTABLISHED TO MAKE SIGNIFICANT MARKET SHARE GAINS IN THE AUSTRALIAN MOBILE MARKET IN 2004 AND BEYOND.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

A STRONG RESULT FOR ORANGE

This year the Orange mobile business has successfully asserted itself as a compelling value alternative to the bigger operators in the voice and text mobile market. It has significantly increased customer numbers and service revenue, and continued to demonstrate an ongoing reduction in operating costs.

STRONG GROWTH

By the end of 2003, the Orange mobile base grew by 23% to over 325,000, with the strongest growth occurring in the final quarter, and continuing into 2004. These strong sales underpinned a $35.7 million improvement in EBITDA, to a first full year positive result of $21.6 million.

The strong performance in the Orange mobile business is the result of a dedicated management approach to driving customer growth through a targeted customer acquisition strategy and improving customer revenue profile while maintaining tight cost discipline.

ADDRESSING THE NEED FOR VALUE

Our customer acquisition strategy for Orange mobile is based on two key aspects of customer behaviour – growing focus on value, and willingness to substitute home and office fixed-line calls for a more convenient and attractively priced mobile service offering.

These market opportunities were the focus of management throughout the year. In the first half of 2003 we introduced a range of new rate plans, which focus on value, convenience and simplicity while providing incentive for customers to select a higher spend profile. These were supported by attractive handset pricing and customers were encouraged to make multiple handset purchases, utilising 'two for one' handset offers and on-net pricing benefits. The rate plans also featured price incentives for calls to national fixed lines to support fixed-line call substitution.

Increased sales are also supported by the improvement in handset choice and design attractiveness. Our handset range has not only been extended, but we have been able to introduce new features including colour screens and attractive form designs.

With the help of the global purchasing power of Hutchison Whampoa and intensifying competition among handset manufacturers, particularly in Asia, our handset costs are coming down at the same time as functionality and customer appeal is increasing.

Product distribution was reinvigorated through an increased emphasis on our direct sales channel and the addition of new dealers to our third-party channels to market. We also increased focus on the business market, in the small and medium sized enterprise category, particularly using Orange's attractive call rates to target businesses with propensity for high voice usage.

INCREASING CAPACITY

The Orange network continues to perform at industry-best levels. Prompted by strong customer growth, we are now implementing a 'CDMA 1X' network capacity overlay to cost-effectively manage the increase in network demand.

OTHER SERVICES

We also continue to provide the country's leading paging and messaging service under the Orange brand. Together with Orange Resale, these services generated revenue of $30 million, from a combined base of 48,000 customers.

A WIDE CYCLE OF SPONSORSHIP The 2003 Orange Great Melbourne Bike Ride® attracted over 12,000 cyclists to the centre of Melbourne for one day in March. The biggest event of its kind in Australia, the bike ride promotes a healthier alternative to conventional city transport – and showcases the safety advantages with Orange's highly visible branding.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

A WELCOME SIGN IN ANY LANGUAGE

For the 20,000 hearing-impaired Australians who can communicate with sign language, **3**'s third generation communication services open up a whole new channel for getting the message across. For the first time, video calling allows the spontaneity of signing to be captured for real-time, face-to-face calls. **3** clears the way for a whole community to more fully participate in our modern, mobile communications society, using an interface simple enough for the youngest generation of users.

TAKING THE LEAD WITH 3

Launching **3** was a huge task, and it is a credit to the hard work of our people that we were able to launch one of the world's first third generation mobile networks in Australia.

At the time of our launch in April I said that we had established a lead of one to two years over our rivals. Almost a year later, that assessment remains valid, and may prove to be an underestimate.

BUILDING THE FUNDAMENTALS

For the launch and early months of **3**, our focus was on fundamentals – getting the basics right. We needed strong geographic coverage, robust network operation and efficient support systems for sales, billing and customer care. We also needed a differentiated approach to market: product, distribution and pricing which stood us apart from the competition, all presented under a distinctive new brand.

INTRODUCING 3

There were many challenges in the development phase, but each of these pieces were put into place and the **3** service came to life. We opened for business in Sydney and Melbourne in mid April, and expanded our reach to Brisbane, the Gold Coast, Perth and Adelaide on 1 July.

Our launch showcased the success of our technical implementation and the exciting capability of our service. The Premier of NSW, the Honourable Bob Carr, and the Premier of Victoria, the Honourable Steve Bracks, launched **3** with the first official interstate videocall, between Sydney and Melbourne.

The introduction of the **3** brand itself has been highly successful. From a standing start in April, consumer awareness of **3** has grown rapidly and by the end of the year, unprompted brand recall in our addressable markets had reached 92%.

This has been supported by innovative advertising and our sponsorship of the AFL club Essendon and the Australian Test cricket team. Our sponsorship of cricket, arguably the most high profile sport in Australia, is a very positive association for **3** and provided us with even greater exposure last summer during the farewell Test series for retiring captain Steve Waugh.

Product distribution capability is key to our success and we have rapidly established the required core distribution reach. Our company-operated **3** shops operating in 60 prime CBD and shopping centre locations, have created a new industry standard for design and functionality. Together with third-party dealerships and other resale agencies, we now have more than 250 retail sales points across our licence areas of Sydney, Melbourne, Brisbane, the Gold Coast, Adelaide and Perth.

STRONG RESPONSE

Initial customer response to **3** was strong. In July, our first full month with five-city reach in place, we acquired an average of 5,000 customers a week and by late August we had achieved over 50,000 sales as early adopters took advantage of our introductory offer.

In the following months, initial sale rates slowed markedly as a result of a shortage of handset supply from manufacturers. This was overcome with the deliveries of new handset models in early 2004, and by mid-February this year, only ten months after launch, we pushed through the 100,000 customer mark with our sales run rate back to 5,000 a week.

Encouragingly, our strong customer sales have been supported with low churn. For the second half of 2003, customer churn was an average of only 1.1% per month. This figure is well below the industry average and is particularly encouraging, considering the challenges every mobile network operator faces in the early months of operation.

The customer revenue profile has also been a positive indicator with each customer generating an average revenue per month of $80 – a figure well above the industry average. This result includes $10 of high margin non-voice revenue – an industry high for mobile data services.

SERVICES WITH A DIFFERENCE

The non-voice usage results reflect the strength of our multimedia offering. Since launch, **3** has continually improved its ground-breaking suite of services for Australian mobile consumers.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Our video capabilities and multimedia, information and entertainment services provide a vibrant, visual market differentiator. We have established international video calling capability to our sister **3** companies in Austria, Denmark, Hong Kong, Italy, Sweden and UK. We have also introduced video calling to any Webcam PC email address in the world and recently launched Surfcam, a live view of surf conditions on popular beaches on the Australian east coast.

Our content services cover a diverse range of interests including:

- **Eat & Drink** prices, reviews and ratings for 2,500 restaurants and bars, sorted by style, location and cuisine.
- **Sports** video highlights, match and player information in Test cricket, rugby union and AFL football, as well as scores and highlights of matches in English Premier League, UEFA Cup, Italian Serie A and the Australian National Soccer League.
- **News** video and text round-ups from across the nation and internationally, including video news from Italy (in Italian) and Hong Kong (in Cantonese).
- **Finance** video updates on the Australian and US stock markets, as well as near live updates on market trading in a personalised portfolio of up to 10 stocks, including price movements, volumes traded, profits/losses and price movement graphs.

These content services complement our communication services – text, picture and video messaging, mobile email and high-speed modem. They are industry leading and offer significant revenue growth potential for **3**.

As 2004 progresses, these services will evolve and improve, and new services will be added.

IMPROVED PERFORMANCE

Technical implementation of **3** has been industry leading. We delivered the most rapid network deployment ever in Australia with a total of 1,600 base stations operational in our five metropolitan launch networks. We successfully integrated 45 discreet IT platforms to support services, a factor of complexity significantly greater than that applied in legacy networks.

Optimisation of the network continued throughout the second half of 2003, as did construction of new base stations to improve quality of coverage. By the end of 2004, we expect to have almost 2,000 base stations across our licence areas.

A critical network performance measure, call drop rate, showed marked improvement in 2003. From a high of 12% shortly after launch, the average call drop rate by early 2004 was below 3%, an excellent result for a young network introducing a new technology. With the implementation of new sites and continued optimisation of the network, we are well placed to continue to improve our network performance throughout 2004.

In addition to network implementation, we continue to drive operational enhancement in our customer care and provisioning operations. Our customer care facility, established in India as part of the global implementation of **3** by Hutchison Whampoa, is continuing to improve its proficiency and its understanding of the Australian market, Australian customers and **3** services.

OUTLOOK

Our view on the next phase of evolution in the Australian mobile market remains unchanged – the opportunities for greatest revenue growth lie in the provision of relevant and easy-to-use multimedia services and the substitution of fixed line services with mobile usage.

In the Orange business we will focus on value voice and simple messaging services to continue to out-perform rivals in terms of percentage growth. With continuing competition in this mature market, there will be downward pressure on prices and resultant lower margins. However, we expect average revenue per customer to stabilise as mobile usage increases. With a sustainable, low cost base, and tightly managed capital investment, Orange mobile is well positioned to thrive in this highly competitive environment. We expect the positive EBITDA performance of the past three consecutive half-years to continue in 2004.

With **3**, we have established a clear lead in the delivery of innovative multimedia services which we believe will be commonplace in the market in the years ahead. As more and more Australians become familiar with what **3** has to offer, our customer take-up will accelerate. Our focus in 2004 and 2005 is to drive customer acquisition and revenue growth in **3** to fully exploit our first mover window of opportunity.

We have established a clear lead in delivering third generation services to Australian mobile consumers. Our progress through 2003 leaves us strongly positioned to build upon this window of opportunity prior to our competitors launching third generation capable infrastructure in 2005/2006.

KEVIN RUSSELL
CHIEF EXECUTIVE OFFICER

THE TEAM

SENIOR MANAGEMENT TEAM

From left to right:
Kevin Russell; Greg Bourke; Nigel Dews; David Dyson; Louise Sexton; Phil Wise; Steve Wright; Michael Young

KEVIN RUSSELL
CHIEF EXECUTIVE OFFICER

Kevin Russell joined Hutchison in early 2001 as Chief Operating Officer and was appointed as Chief Executive Officer in September 2001. Prior to joining Hutchison, Kevin served as Chief Financial Officer at Partner Communications in Israel. Partner Communications is a leading telecommunications provider in Israel and 35% is owned by HWL. Kevin joined Hutchison Telecommunications in Hong Kong in 1995 as Group Finance Manager and in 1996 was promoted to Director of Finance and Operations.

GREG BOURKE
DIRECTOR, HUMAN RESOURCES

Greg Bourke joined Hutchison in January 1999. Prior to this he spent 14 years at Digital Equipment Corporation, and since 1992 in the role of Director Human Resources. Greg was responsible for major restructuring and change programs at Digital Equipment Corporation and, most notably, he led the merger planning discussions with Compaq, resulting in the smooth transition to the new company. Prior to his employment at Digital Equipment Corporation, Greg held HR positions at Mobil Oil and Trans Australia Airlines.

NIGEL DEWS
DIRECTOR, **3** CONTENT, SALES AND MARKETING

Nigel Dews joined Hutchison in November 2003 as Director - Content, Sales and Marketing for the **3** business. In this role Nigel oversees marketing, sales and distribution across both consumer and business markets, product and content delivery as well as procurement and supply of communication devices for the business. Prior to joining Hutchison, Nigel held senior management positions at John Fairfax Holdings Limited as Managing Director, Commercial and Publisher f2 Network, Chief Executive, f2 Limited and General Manager, Business Development and Online Services.

DAVID DYSON
CHIEF FINANCIAL OFFICER

David Dyson joined Hutchison in September 2002 from H3G Access AB, the owner of Hutchison's 3G licences in Sweden and Denmark, where he served as Deputy Chief Financial Officer. Prior to this, David spent three years with Hutchison International Ltd, a subsidiary company of Hutchison Whampoa, based in Hong Kong in senior finance roles focused on the Group's local and international telecommunications businesses. Prior to his work in the Hutchison group, David worked with KPMG in Hong Kong and the UK.

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.

PHIL WISE
DIRECTOR, ORANGE MOBILE, PAGING AND INFORMATION SERVICES

Phil Wise joined Hutchison in July 2001 as Director of Sales to spearhead the newly positioned Orange Mobile product. In August 2003, Phil was appointed Director, Orange Mobile, Paging and Information Services with responsibilities across sales and marketing for these products. Prior to joining Hutchison, Phil was the Director of Sales for Telstra Mobile where he headed the launch of Telstra Direct business. Phil has a broad range of experience gained from local and international product and consumer marketing, retail distribution and business management roles.

STEVE WRIGHT
DIRECTOR, STAKEHOLDER RELATIONS

Steve Wright joined Hutchison in May 2002 as Director Stakeholder Relations. His role is aimed at optimising Hutchison's position in its operating environment by enhancing relationships and communication with key stakeholders, including governments, investors and community groups, as well as Hutchison's own people. Steve has a background in media, stakeholder relations and issues management, most recently as Director of Public Affairs at SingTel Optus. Steve entered telecommunications at Telstra, having previously observed industry reform as a senior political correspondent in Canberra.

MICHAEL YOUNG
DIRECTOR, TECHNOLOGY, INFRASTRUCTURE AND 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. Michael has over 20 years of IT experience in a broad cross-section of industries, including professional services, manufacturing, telecommunications, broadcasting and retail.

CORPORATE GOVERNANCE

Hutchison Telecommunications (Australia) Limited ("HTAL") and its directors remain committed to high standards of corporate governance. An extensive review of the Company's corporate governance framework was completed during 2003 in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. Changes have been made to some aspects of corporate governance practices within HTAL to bring them into line with the recommendations and these are included in this statement.

Although the reporting requirements of the ASX best practice recommendations do not require HTAL to report on its compliance with these recommendations for financial year ending on 31 December 2003, the directors consider that it is in the interests of shareholders to provide details of compliance as early as possible. A significant proportion of the corporate governance matters contained in this report have been in place since HTAL listed in 1999, and any changes were implemented before the end of 2003, so that they will be in place for the full reporting period commenced on 1 January 2004.

BOARD OF DIRECTORS AND ITS COMMITTEES

The board has responsibility for driving the strategy and monitoring 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 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.
- 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 seven 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. The board has adopted the definition of independence contained in the ASX best practice recommendations. Independent directors are not 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, the independent directors do 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 Hutchison. Messrs Gardener and Kluge, being directors not aligned with any significant shareholders, are considered by the board to be independent directors. In light of the majority ownership by Hutchison Whampoa Limited, 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 is set out on pages 24 and 25.

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 for a board comprising seven directors. Accordingly consideration of the performance of the board will form 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 Compensation Committee. In December 2003, the Compensation Committee was restructured as the Governance, Nominations 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.

Until December 2003, the Audit Committee comprised three non-executive directors, including an independent director. On 12 December 2003, Mr Gardener, an independent director, was appointed as a member of the committee. The committee now comprises two independent non-executive and two non-independent non-executive directors and meets the requirements of the transitional arrangements under 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 24 and 25.

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 the Company 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 Company's 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 the Company.
- Review the interim and annual accounts of the Company before their submission to the board.
- Ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the relevant legal and ASX 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 the Company and their effects on the financial statements of the Company.
- Ensure corporate compliance with applicable legislation.

EXTERNAL AUDITORS

The performance of the external auditor 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 at least every seven years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 2002.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 26 to the financial statements.

The Company has adopted a policy in relation to awarding non-audit work to the external auditors which provides 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.

CORPORATE GOVERNANCE CONTINUED

COMPENSATION COMMITTEE

Until December 2003, the Compensation Committee comprised four directors, including an independent director. On 12 December 2003, Mr Kluge, an independent director, was appointed as a member of the committee. Reflecting the composition of the board, the committee now comprises two independent and three non-independent directors, all of whom are non-executive, 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 24 and 25.

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 26 to 28. 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 executive directors, is reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth and relevant comparative information. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Performance based components of the remuneration package are assessed against objectives which include both company and job specific targets. Executives are also eligible to participate in the employee share schemes. Information relating to these schemes is set out in note 30 to the financial statements.

Independent directors' remuneration comprises only a fixed component and is not performance based. Non-independent directors do not receive remuneration for their services as directors.

From 12 December 2003 this committee has also had Governance and Nominations Committee responsibilities which include:

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 annually 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 program 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.
- To review all related party transactions to ensure they reflect market practice and are in the best interests of the Company.

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 including periodic rotation of committee assignments and memberships.
- 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 ensuring that all significant business risks are identified and that appropriate arrangements are in place to manage these risks, whilst acknowledging that such risks will not be wholly eliminated. The risk management function requires that mechanisms be in place to review and monitor corporate performance across a broad range of risk and compliance issues affecting assets, personal safety, management, finance, business operations, corporate governance and environmental issues. The Audit Committee has been delegated responsibility as the primary body for risk oversight and review of risk management practices within the Company. 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 the organisation has lead to greater emphasis on compliance with policies 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, has been introduced to assist in maintaining this culture. This code applies to all directors and employees and compliance with the code will form 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 ASX and from the lodgement of the Company's annual report with the ASX 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 is 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 ASX.

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 additional to the reports required by legislation.

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

RELATED PARTY TRANSACTIONS

Hutchison draws great strength from its relationship with Hutchison Whampoa Limited ("HWL") and other companies in the HWL Group in relation to its financial support, management expertise, joint procurement programs and shared research and development costs. The Company also has a strategic alliance with Telecom Corporation of New Zealand Limited and HWL for the development of its 3G business in Australia.

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 29 to the Financial Statements.

THE BOARD

BOARD OF DIRECTORS

From left to right:
Fok Kin-ning, Canning; Lui Pok-Man, Dennis;
Barry Roberts-Thomson; Chan Ting Yu;
Justin H. Gardener; Holger Kluge; Frank John Sixt

FOK KIN-NING, CANNING BA, DFM, ACA (AUS)
CHAIRMAN

Fok Kin-ning, Canning, aged 52, is Group Managing Director of Hutchison Whampoa Limited ("HWL"), Chairman of Hutchison Harbour Ring Limited, Partner Communications Company Limited (Partner) and Vanda Systems & Communications Holdings Limited, Co-Chairman of Husky Energy Inc. (Husky), Deputy Chairman of Hongkong Electric Holdings Limited (Hongkong Electric) and Cheung Kong Infrastructure Holdings Limited (Cheung Kong Infrastructure), and Director of Cheung Kong (Holdings) Limited (Cheung Kong). Mr Fok was appointed as a Director on 8 February 1999.

Other responsibilities: Non-executive Chairman, Chairman of Governance, Nominations and Compensation Committee.

Ordinary shares held: 1,100,000 (Direct holding of 100,000 shares only). Convertible notes held: 1,474,001 (Direct holding of 134,000 Convertible notes only). Options held: nil.

No. Board meetings attended: 16 of 16
No. Audit Committee meetings attended: n/a
No. Compensation Committee meetings attended: 1 of 1

Fok Kin-ning, Canning holds a relevant interest in 2,410,875 shares in HWL, a related body corporate of Hutchison; 5,000,000 shares in Hutchison Harbour Ring Limited, a related body corporate of Hutchison; a relevant interest in a nominal amount of Eur21,900,000 of 5.875% Notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited, a related body corporate of Hutchison; a relevant interest in a nominal amount of US$5,000,000 of Notes due 2005 issued by BNP Paribas under which an estimated maximum of 757,939 shares in HWL may be acquired and a relevant interest in a nominal amount of US$6,500,000 of 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited, a related body corporate of Hutchison.

Remuneration: Director's fee: nil; superannuation: nil.

LUI POK-MAN, DENNIS BSc
EXECUTIVE DEPUTY CHAIRMAN

Lui Pok-Man, Dennis, aged 52, is Group Managing Director of Hutchison Telecommunications International Limited ("HTIL"), overseeing all the operations under the international telecom group, including new business development globally. Mr Lui was appointed as a Director on 4 May 2001.

Other responsibilities: Executive Deputy Chairman, member of Audit Committee and member of Governance, Nominations and Compensation Committee.

Ordinary shares held: nil. Convertible notes held: nil. Options held: nil.

No. Board meetings attended: 15 of 16
No. Audit Committee meetings attended: 6 of 7
No. Compensation Committee meetings attended: 1 of 1

Remuneration: Director's fee: nil; superannuation: nil.

BARRY ROBERTS-THOMSON
DEPUTY CHAIRMAN

Barry Roberts-Thomson, aged 54, 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 is responsible for the national network deployment. Mr Roberts-Thomson was appointed as a Director on 14 February 1989.

Other responsibilities: Deputy Chairman.

Ordinary shares held: 84,961,247 (Direct holding of 2,500 shares only). Convertible notes held: nil. Options held: 325,000.

No. Board meetings attended: 16 of 16
No. Audit Committee meetings attended: n/a
No. Compensation Committee meetings attended: n/a

Barry Roberts-Thomson holds a relevant interest in 100,000 shares registered in the name of Hutchison Telecoms Staff Superannuation Pty Ltd.

Remuneration: Base salary: $400,00; motor vehicle: $62,804; Bonus: nil; superannuation: $10,760; total: $473,564.

CHAN TING YU LLB, BA MATHS, PCLL
DIRECTOR

Chan, Ting Yu, aged 53, is Deputy Group Managing Director of HTIL and a Director of Partner. Since joining the HWL Group in 1994, Mr Chan has been closely involved in the management and development of HTIL's telecommunications business internationally. Mr Chan was appointed as a Director on 1 April 1996.

Other responsibilities: Member of Governance, Nominations and Compensation Committee.

Ordinary shares held: nil. Convertible notes held: nil. Options held: nil.

No. Board meetings attended: 15 of 16
No. Audit Committee meetings attended: n/a
No. Compensation Committee meetings attended: 1 of 1

Remuneration: Director's fee: nil; superannuation: nil.

JUSTIN H. GARDENER BEc, FCA
DIRECTOR

Justin H. Gardener, aged 67, is a Director of a number of private and publicly listed companies. 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.

Other responsibilities: Member of Governance, Nominations and Compensation Committee, and member of Audit Committee (since 12 December 2003).

Ordinary shares held: 102,858. Convertible notes held: 57,430. Options held: nil.

No. Board meetings attended: 16 of 16
No. Audit Committee meetings attended: n/a
No. Compensation Committee meetings attended: 1 of 1

Remuneration: Director's fee: $50,000; superannuation: $4,500.

HOLGER KLUGE BComm, MBA
DIRECTOR

Holger Kluge, aged 61, is a Director of Hongkong Electric, Husky, and TOM.COM Limited ("TOM"). From 1990 until his retirement in 1999, Mr Kluge served as President, Personal and Commercial Bank, CIBC, one of the largest financial institutions in North America. Mr Kluge was appointed as a Director on 2 July 1999.

Other responsibilities: Member of Audit Committee and member of Governance, Nomination and Compensation Committee (since 12 December 2003).

Ordinary shares held: 200,000. Convertible notes held: nil. Options held: nil.

No. Board meetings attended: 15 of 16
No. Audit Committee meetings attended: 7 of 7
No. Compensation Committee meetings attended: n/a

Holger Kluge holds a relevant interest in 40,000 shares in HWL.

Remuneration: Director's fee: $50,000; superannuation: $4,500.

FRANK JOHN SIXT MA, LLL
DIRECTOR

Frank John Sixt, aged 52, is Group Finance Director of HWL, Chairman of TOM, Executive Director of Cheung Kong Infrastructure and Hongkong Electric and Director of Cheung Kong, Husky and Partner. Mr Sixt was appointed as a Director on 12 January 1998.

Other responsibilities: Non-executive Director, and Chairman of Audit Committee.

Ordinary shares held: nil. Convertible notes held: nil. Options held: nil.

No. Board meetings attended: 10 of 16
No. Audit Committee meetings attended: 5 of 7
No. Compensation Committee meetings attended: n/a

Frank John Sixt holds a relevant interest in 50,000 shares in HWL and one share in Colonial Nominees Limited, a related body corporate of Hutchison, on behalf of Hutchison International Limited.

Remuneration: Director's fee: nil; superannuation: nil.

THE REPORT
DIRECTORS' REPORT

The directors are pleased to present their report on the consolidated entity ("Hutchison") consisting of Hutchison Telecommunications (Australia) Limited ("HTAL") and the entities it controlled at the end of or during the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of Hutchison consisted of the operation of the CDMA mobile telephony business in Sydney and Melbourne licence areas and the provision of paging and information services. A significant change in the nature of activities arose during the year with the launch of the 3G mobile communications operation in Sydney, Melbourne, Brisbane, Adelaide and Perth licence areas.

DIVIDENDS

No dividend was declared or paid during the year.

REVIEW OF OPERATIONS

Comments on the operations of Hutchison and results of those operations are contained in pages 6 to 17 of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In January 2004 the Company entered into a capital commitment of approximately $30 million for the expansion of the Orange mobile network. The commitment is subject to a three-year deferred payment arrangement.

With the exception of the expansion of the Orange network outlined above the directors consider that no other matter or circumstance has arisen since 31 December 2003 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

The first two tranches of the tax consolidation legislation were confirmed when the New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002 was passed by the Senate on 21 October 2002. The financial effect of the legislation has not been recognised in the financial report in accordance with UIG 39 Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances. The Company currently anticipates adopting the tax consolidation legislation, however it is deferring the final decision until the financial impacts have been wholly determined.

Other than as set out in the Review of Operations on pages 10 to 17 of this report, further information on likely developments in the operations of Hutchison and the expected results of operations 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 2003 and up to the date of this report:

FOK Kin-ning, Canning

LUI Pok-Man, Dennis

Barry ROBERTS-THOMSON

CHAN Ting Yu

Justin H. GARDENER

Holger KLUGE

Frank John SIXT

Information regarding the directors appears on pages 24 and 25.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Fok Kin-ning, Canning is a director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Frank John Sixt is a director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

Compensation philosophy and practice

The Nominations, Governance and Compensation Committee is responsible for making recommendations to the board on compensation policies and packages for all staff, including board members and senior executives of Hutchison. Hutchison'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 packages generally involve a balance between fixed and performance based components, the latter being assessed against objectives which include both company and job specific targets. Remuneration and other terms of employment for certain senior executives are formalised in service agreements. Further details are included in our Corporate Governance Statement.

Details of the nature and amount of each element of the emoluments of each of the five continuing executives of HTAL receiving the highest emoluments are set out in the following table. Details of the directors' remuneration is set out on pages 24 and 25.

EXECUTIVES OF HTAL[1]

Name	Base salary	Bonus	Motor vehicle	Superannuation	Total
Kevin Russell	$831,701	$616,400	$82,709	$10,760	$1,541,570
Austin Bryan [2]	$706,539	Nil	Nil	$10,760	$717,299
Michael Young	$431,554	$171,264	Nil	$10,760	$613,578
Phillip Wise	$415,481	$126,450	Nil	$10,760	$552,691
David Dyson	$342,871	$155,384	Nil	$10,760	$509,015
Louise Sexton	$324,480	$92,125	Nil	$10,760	$427,365

[1] All executives also receive small non-cash benefits including personal use of products and services.

[2] Mr Bryan ceased to be employed on 30 September 2003. His severance payment of $338,748 is included in his base salary.

DIRECTORS' REPORT CONTINUED

SHARE OPTIONS GRANTED TO DIRECTORS AND MOST HIGHLY REMUNERATED EXECUTIVES

No options over unissued ordinary shares of HTAL were granted during or since the end of the financial year to any of the directors or the five most highly remunerated executives of HTAL as part of their remuneration.

SHARES UNDER OPTION

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

Number	Issue price of shares	Grant date	Expiry date
1,070,000	$1.84	16.08.99	15.08.04
70,000	$0.54	18.08.01	17.08.06

These options are exercisable at any time in the two years ending on the expiry date. 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 2003 on the exercise of options granted under the Executive Option Plan. Since 31 December 2003, no ordinary shares of HTAL have been issued on the exercise of options granted under the Executive Option Plan.

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 Law 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 Law.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

HTAL 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 Law.

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

FOK KIN-NING, CANNING
CHAIRMAN

LUI POK-MAN, DENNIS
EXECUTIVE DEPUTY CHAIRMAN

17 February 2004

FINANCIAL RESULTS

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2003

		CONSOLIDATED		PARENT ENTITY	
		2003	2002	2003	2002
	NOTES	$'000	$'000	$'000	$'000
Revenue from ordinary activities	2	353,704	236,521	263,736	252,336
Direct costs of provision of telecommunication services and goods		(310,131)	(131,025)	(157,361)	(136,777)
Depreciation and amortisation		(175,327)	(71,164)	(62,359)	(65,885)
Borrowing costs		(91,885)	(44,720)	(88,394)	(74,139)
Employment cost		(91,812)	(81,400)	(20,062)	(53,499)
Advertising and promotions		(71,894)	(22,246)	(15,594)	(20,917)
Rental expense relating to operating leases		(50,225)	(21,007)	(14,136)	(16,004)
Bad and doubtful debts		(7,127)	(5,495)	(2,446)	(5,495)
Site acquisition cost		–	(34,634)	–	–
Other		(40,280)	(37,948)	(17,870)	(20,397)
Loss from ordinary activities before income tax	3	(484,977)	(213,118)	(114,486)	(140,777)
Income tax	4	–	–	–	–
Loss from ordinary activities after income tax		(484,977)	(213,118)	(114,486)	(140,177)
Net loss attributable to outside equity interest		75,137	15,792	–	–
Net loss attributable to members of Hutchison Telecommunications (Australia) Limited	21b	(409,840)	(197,326)	(114,486)	(140,177)
Total changes in equity other than those resulting from transactions with owners as owners		(409,840)	(197,326)	(114,486)	(140,177)
		CENTS	CENTS		
Basic earnings per share	35	(60.4)	(29.1)		
Diluted earnings per share	35	(60.4)	(29.1)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2003

		CONSOLIDATED		PARENT ENTITY	
		2003	2002	2003	2002
	NOTES	$'000	$'000	$'000	$'000
Current Assets					
Cash	5	34,282	39,256	1,852	3,059
Receivables	6	97,867	45,064	112,793	45,093
Inventories	7	27,304	3,842	3,316	3,837
Other	8	71,850	268,580	18,164	127,280
Total Current Assets		231,303	356,742	136,125	179,269
Non-Current Assets					
Receivables	9	16,992	5,818	57,570	91,299
Other financial assets	10	–	–	1,318,776	1,318,776
Property, plant and equipment	11	1,151,512	885,146	178,116	236,557
Intangible assets	12	1,014,843	1,015,160	74,012	73,377
Other	13	43,466	46,876	43,466	46,876
Total Non-Current Assets		2,226,813	1,953,000	1,671,940	1,766,885
Total Assets		2,458,116	2,309,742	1,808,065	1,946,154
Current Liabilities					
Payables	14	167,040	129,461	63,290	86,074
Interest bearing liabilities	15	590,731	–	2,996	2,626
Provisions	16	602	15	578	15
Other	17	1,023	1,121	1,028	1,121
Total Current Liabilities		759,396	130,597	67,892	89,836
Non-Current Liabilities					
Interest bearing liabilities	18	1,227,386	1,222,079	1,221,176	1,222,079
Provisions	19	580	1,336	580	1,336
Total Non-Current Liabilities		1,227,966	1,223,415	1,221,756	1,223,415
Total Liabilities		1,987,362	1,354,012	1,289,648	1,313,251
Net Assets		470,754	955,730	518,417	632,903
Equity					
Parent entity interest					
Contributed equity	20	1,031,244	1,031,244	1,031,244	1,031,244
Reserves	21 (a)	54,887	54,887	–	–
Accumulated losses	21 (b)	(865,926)	(456,086)	(512,827)	(398,341)
Total parent entity interest		220,205	630,045	518,417	632,903
Outside equity interest in controlled entities	22	250,549	325,685	–	–
Total Equity		470,754	955,730	518,417	632,903

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2003

		CONSOLIDATED		PARENT ENTITY	
		2003	2002	2003	2002
	NOTES	$'000	$'000	$'000	$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of GST)		304,926	305,037	244,953	304,173
Payments to suppliers and employees (inclusive of GST)		(649,390)	(380,671)	(255,749)	(273,310)
		(344,464)	(75,634)	(10,796)	30,863
Dividends received		13	37	13	37
Interest received		5,630	6,899	10,219	24,625
Borrowing costs		(70,676)	(40,889)	(88,394)	(70,514)
Net cash outflow from operating activities	33	(409,497)	(109,587)	(88,958)	(14,989)
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment		321	1,736	130	–
Payments for property, plant and equipment		(361,920)	(410,547)	(2,451)	(31,127)
Payments for investment in shares in subsidiary		–	–	–	(600,000)
Proceeds / (payments) from investment in commercial paper		248,400	(256,900)	107,400	(115,900)
Loans to subsidiaries		–	–	(21,000)	–
Repayment of loans by subsidiaries		–	–	24,497	–
Payments for intangible assets		(68,848)	(39,312)	(21,195)	(27,446)
Net cash outflow from investing activities		(182,047)	(705,023)	87,381	(774,473)
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		687,206	600,176	370	688,831
Proceeds from issue of shares		–	150,000	–	–
Repayment of interest bearing liabilities		(99,206)	–	–	–
Repayment of finance lease		(1,430)	–	–	–
Net cash inflow from financing activities		586,570	750,176	370	688,831
Net Decrease in cash held		(4,974)	(64,434)	(1,207)	(100,631)
Cash at 1 January		39,256	103,690	3,059	103,690
Cash at 31 December	5	34,282	39,256	1,852	3,059

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

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

As a result of applying the new accounting standard AASB 1044 Provisions, Contingent Liabilities and Contingent Assets for the first time, certain liabilities have been reclassified.

Basis of preparation

Hutchison Telecommunications (Australia) Limited and its controlled entities ("the Consolidated Entity") incurred a net loss attributable to members of $409,840,000 during the year ended 31 December 2003 (2002: loss of $197,326,000) and had an operating cash outflow of $409,497,000 (2002: $109,587,000).

Current cashflow forecasts estimate up to a further $1 billion must be raised to fund the continued development and operating cash requirements of the "3" business during the next 12 months. Under existing agreements between Hutchison Telecommunications (Australia) Limited, Hutchison Whampoa Ltd ("HWL") and Telecom Corporation of New Zealand ("TCNZ"), HWL has committed to ensuring that the company has access to this funding. Therefore based on this support the Directors believe that it is appropriate to prepare the financial report on a going concern basis.

(a) 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 2003 and the results of all controlled entities for the year then ended. Hutchison Telecommunications (Australia) Limited and its controlled entities together are referred to in this financial report as the Consolidated Entity. The effects of all transactions between entities in the Consolidated Entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and amounts receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit and loss for the year.

(ii) Specific Commitments

Hedging is undertaken as considered appropriate in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

(d) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

Goodwill is brought to account on the basis described in note 1(m) (i).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 1. Summary of significant accounting policies (continued)

(e) Revenue recognition

Revenue from operating activities represents revenue earned from the sales of the Consolidated Entity's products and services, net of returns, trade allowances and duties and taxes paid. Revenue from outside the operating activities includes interest income, foreign exchange gains, dividends received and proceeds from the sales of property, plant and equipment.

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. Provision is made for doubtful debts where doubt as to collection exists.

Revenue from telecommunication services is recognised when the service has been provided. Provision is made for doubtful debts where doubt as to collection exists.

(f) Receivables

Trade debtors are generally settled within 30 days and are carried at amounts receivable.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(g) 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.

(h) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by the Directors, supplemented by independent assessments periodically.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit and loss.

Revaluation decrements are recognised immediately as expenses in net profit and loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

(i) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement is recognised as an expense in net profit and loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate of 9%.

Recoverability of the Consolidated Entity's recorded amounts for non-current assets depend on future events which involve risks and uncertainties, some of which are outside the control of the Consolidated Entity.

This is particularly the case for early stage businesses, such as the Consolidated Entity's "3" business. Specific risks and uncertainties of the "3" business include access to and performance of 3G terminals and devices, the competitive environment and demand for the use of 3G technology and services.

The Directors have carefully considered the above factors and have reviewed the progress of the Consolidated Entity's business plans and forecasts to date. At this time, the Directors are of the view that the outlook for continued successful development and commercialisation of the Consolidated Entity's technologies is positive, and that the recorded amounts of the Consolidated Entity's non-current assets are not stated in excess of their recoverable amount.

(j) Investments

Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

Interests in listed securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when received.

The Directors have reviewed the recoverable amount of investments in subsidiaries and are satisfied there is no permanent diminution in carrying value, other than as disclosed in note 10.

(k) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the depreciable amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Consolidated Entity. Assets are depreciated from the date they are brought into commercial service, or in the respect of internally constructed assets from the time the asset is completed and held ready for use.

Buildings	40 years
Computer equipment	4 years
Furniture, fittings and office equipment	6 to 7 years
Network equipment	4 to 15 years

Leased assets are amortised on a straight-line basis over the term of the lease, or where ownership will be obtained, then over the useful life of the asset. Leased assets held at reporting date are being amortised over four years.

(l) Leasehold improvements

The cost 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 2-10 years.

(m) Intangible assets and expenditure carried forward

(i) Goodwill

Goodwill, representing the excess of the cost of equity in controlled entities over the fair value of the net assets of the controlled entity at the date of gaining control, and the excess of the cost of acquiring a business over the fair value of the net assets of the business, at the date of acquisition is shown as an intangible asset.

Goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise. The carrying value of goodwill is reviewed by the Directors on a regular basis and adjusted where it is considered necessary.

(ii) Spectrum licences and capitalised development costs

Costs associated with acquiring spectrum licences are capitalised. The amortisation of capitalised development costs and the spectrum licences commenced upon the commercial readiness of the network. The spectrum licences and development costs are amortised on a straight line basis over the periods of their expected benefit, being not more than the legal licence term. The carrying value of this intangible asset is reviewed by the Directors on a regular basis and written down to recoverable amount where this is less than the carrying value (refer note 1(i)).

All costs directly attributable to the construction of the network assets are capitalised as work in progress (refer note 1(w)). All other costs directly attributable to the creation of an asset within the business are capitalised as development costs.

(iii) Capitalised funding costs

Costs incurred relating to the convertible note issue are capitalised and amortised on a straight line basis over 5 years. Other ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the term of the borrowing.

(n) Payables

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

(o) Interest bearing liabilities

Loans are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors. Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the cost of qualifying assets (refer note 1(w)).

Convertible notes are included as a liability based upon the principal value of the notes. The liability is included in borrowings until conversion or maturity of the notes. Interest is accrued based upon the cash coupon rate and included in other creditors until paid semi-annually.

(p) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(q) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 1. Summary of significant accounting policies (continued)

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

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

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

(iv) Superannuation
Contributions to defined contribution superannuation plans are charged to expense as the contributions are paid or become payable.

(v) Ownership-based remuneration schemes
Ownership-based remuneration is provided to employees via the Hutchison Telecommunications (Australia) Limited Executive Option Plan. Information relating to these schemes is set out in note 30.

No accounting entries are made in relation to the Hutchison Telecommunications (Australia) Limited Executive Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of Directors and executives in note 24 and 25 include the assessed fair values of options at the date they were granted.

If shares were to be issued under the Executive Option Plan, the market value of shares issued to employees for no cash consideration under the plan would be recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognised in the statement of financial position as share capital.

(r) Cash

For the purpose of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(s) 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.

(t) Share offer expenses

Share offer expenses borne by the company are accounted for directly against share capital.

(u) Customer acquisition costs

The direct costs of establishing customer contracts are recognised as an asset and amortised as direct costs of provision of telecommunication services and goods over the period during which the future economic benefits are expected to be obtained. The direct costs include commissions paid for obtaining customer contracts and the subsidised portion of handsets, if any, sold to customers.

(v) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of lease non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(w) Non-current assets constructed by the Consolidated Entity-qualifying assets

The cost of non-current assets constructed by the Consolidated Entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead. Work-in-progress is costs directly attributable to the construction of tangible assets, prior to construction being completed.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(x) Borrowing costs

Borrowing costs are recognised as expenses in the year in which they are incurred, except where they are included in the costs of qualifying assets – refer note 1(w).

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.

(y) Rounding

Where noted, all dollar amounts in this financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, for presentation in accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/0100.

Note 2. Revenue

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Revenue from operating activities				
Sale of handsets	99,252	32,297	44,036	32,297
Services	240,904	195,049	207,871	195,049
Revenue from outside the operating activities				
Interest	5,630	6,899	10,219	24,625
Dividends	13	37	13	37
Proceeds from disposal of property, plant and equipment	321	1,736	130	–
Net foreign exchange gains (note 3)	6,622	–	1,165	–
Other	962	503	302	328
	13,548	9,175	11,829	24,990
Total Revenue	353,704	236,521	263,736	252,336

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 3. Loss from ordinary activities

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Net gains and expenses				
Loss from ordinary activities before income tax includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal of property, plant and equipment	29	–	48	–
Net foreign exchange gain	6,622	93	1,165	43
Expenses				
Cost of sales of goods	111,602	27,065	26,174	27,065
Borrowing costs				
Interest and finance charges paid/payable	102,963	56,115	88,394	74,139
Less: amount capitalised	(11,078)	(11,395)	–	–
Borrowing costs expensed	91,885	44,720	88,394	74,139
Depreciation				
Buildings	33	66	–	–
Computer equipment	46,344	19,006	15,892	16,750
Computer equipment under finance lease	1,684	–	–	–
Fixtures & office equipment	12,793	15,411	7,784	12,564
Network equipment	48,841	32,083	33,941	31,829
Assets under construction	12,450	–	–	–
Less: amount capitalised	(2,239)	(5,358)	–	–
Total depreciation	119,906	61,208	57,617	61,143
Amortisation				
Capitalised development costs	4,473	4,423	4,742	4,742
Spectrum licence	50,948	5,533	–	–
Total amortisation	55,421	9,956	4,742	4,742
Total amortisation and depreciation	175,327	71,164	62,359	65,885
Amortisation of customer acquisition costs	24,630	23,659	14,915	23,659
Employment cost	91,812	81,400	20,062	53,499
Advertising and promotions	71,894	22,246	15,594	20,917
Rental expense relating to operating leases	50,225	21,007	14,136	16,004
Bad debts written off	2,333	5,495	2,331	5,495
Provision for doubtful debts	4,794	2,132	115	2,132
	7,127	7,627	2,446	7,627
Net loss on disposal of property, plant and equipment	–	337	–	140
Inventory write-down	3,510	3,464	806	3,464
Provision for inventory	764	(2,931)	176	(2,931)
Other miscellaneous expenses	36,006	34,945	16,888	17,592
	40,280	35,815	17,870	18,265

Note 4. Income tax

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the net loss.				
The differences are reconciled as follows:				
Net loss before income tax	(484,977)	(213,118)	(114,486)	(140,177)
Income tax calculated @ 30% (2002 – 30%)	(145,493)	(63,935)	(34,346)	(42,053)
Tax effect permanent differences				
Non deductible amortisation	1,023	–	1,023	–
Non deductible legal fees	–	123	–	111
Entertainment	30	21	13	5
R&D tax concession claim (25%)	(2,714)	–	–	–
Income tax adjusted for permanent differences	(147,154)	(63,791)	(33,310)	(41,937)
Income tax benefit on timing differences / tax losses not brought to account	147,154	63,791	33,310	41,937
Income tax attributable to operating result	–	–	–	–
The Directors estimate of the potential future income tax benefit at 31 December 2003, in respect of tax losses not brought to account is	411,630	264,475	147,630	114,320

This benefit for tax losses will only be obtained if:

(i) 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; or

(ii) the Hutchison Telecommunications (Australia) Limited 100% group and the Hutchison 3G Australia Holdings Pty Limited 100% group enter into the Tax Consolidation regime (as separate tax consolidated groups) and;

a) the relevant tax consolidated group 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

b) the tax losses comply with the conditions for both the transfer to the Head Entity of the group on entering into the Tax Consolidations regime, and with the conditions for deductibility imposed by tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 5. Current assets – Cash

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cash at bank and on hand	34,282	39,256	1,852	3,059

Restrictions on cash at bank

At 31 December 2003 cash at bank includes collateral for bank guarantees (note 27).

Note 6. Current assets – Receivables

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Trade debtors	106,046	50,243	71,078	50,220
Less: Provision for doubtful debts	(8,795)	(5,466)	(5,304)	(5,466)
	97,251	44,777	65,774	44,754
Other debtors	616	287	281	339
Loan to subsidiary	–	–	46,738	–
	97,867	45,064	112,793	45,093

Loans to subsidiary have a repayment date of 16 June 2004 and interest is charged at a rate of BBSY plus 2.4%p.a. (note 29).

Note 7. Current assets – Inventories

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Finished goods at cost	28,517	4,291	3,941	4,286
Less: Provision for obsolete stock	(1,213)	(449)	(625)	(449)
	27,304	3,842	3,316	3,837

Note 8. Current assets – Other

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Short term deposits	8,500	18,400	8,500	18,400
Commercial paper	–	238,500	–	97,500
Prepayments	63,275	11,306	9,591	11,306
Other	75	374	73	74
	71,850	268,580	18,164	127,280

Short term deposits

At 31 December 2003 there were $8,500,000 in short term deposits maturing on 1 January 2004 (2002 – $18,400,000). The average interest rate was 4.81%.

Commercial paper

The commercial paper had a face value of $240,118,114. The average interest rate was 4.9%.

Note 9. Non-current assets – Receivables

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade debtors	19,401	6,762	9,522	6,762
Less: Provision for doubtful debts	(2,409)	(944)	(1,221)	(944)
	16,992	5,818	8,301	5,818
Loans to subsidiaries	–	–	49,269	85,481
	16,992	5,818	57,570	91,299

Further information relating to loans to subsidiaries is set out in note 29.

Note 10. Non-current assets – Other financial assets

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Non-traded investments				
Shares in controlled entities – at cost (note 31)	–	–	1,334,947	1,334,947
Less: Provision for diminution in value	–	–	(16,171)	(16,171)
	–	–	1,318,776	1,318,776
Traded investments at cost				
Shares in other corporations	–	–	–	–
Total investments at cost	–	–	1,318,776	1,318,776
Traded investments – net market values				
Shares in other corporations ($nil cost)	940	632	940	632

The provision for diminution in value is in respect of the Company's interest in Bell Organisation Pty Limited, and Lindian Pty Limited, and was recorded in 1995.

Traded investments represent shares issued by Insurance Australia Group Limited and Baycorp Advantage Limited on demutualisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 11. Non-current assets – Property, plant & equipment

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Land & buildings				
At cost	1,610	1,610	29	29
Less: Accumulated depreciation	(143)	(110)	–	–
Total Land and buildings	1,467	1,500	29	29
Fixtures, fittings & office equipment				
At cost	85,135	80,502	57,845	66,803
Less: Accumulated depreciation	(25,825)	(23,636)	(19,633)	(20,043)
Total Fixtures, fittings & office equipment	59,310	56,866	38,212	46,760
Computer equipment				
At cost	251,919	87,903	64,802	67,583
Less: Accumulated depreciation	(83,157)	(39,028)	(49,446)	(36,238)
	168,762	48,875	15,356	31,345
Computer equipment under finance lease	10,370	–	–	–
Less: Accumulated amortisation	(1,684)	–	–	–
Total Leased computer equipment	8,686	–	–	–
Total Computer equipment	177,448	48,875	15,356	31,345
Network equipment				
At cost	594,513	200,389	200,792	193,096
Less: Accumulated depreciation	(95,906)	(47,494)	(79,964)	(47,187)
Total Network equipment	498,607	152,895	120,828	145,909
Assets under construction				
Work in progress	427,130	625,010	3,691	12,514
Less: Accumulated depreciation	(12,450)	–	–	–
Total Work in progress	414,680	625,010	3,691	12,514
	1,151,512	885,146	178,116	236,557
Reconciliation of land & buildings				
Carrying amount at beginning of year	1,500	3,164	29	29
Additions	–	–	–	–
Disposals	–	(1,598)	–	–
Depreciation	(33)	(66)	–	–
Carrying amount at end of year	1,467	1,500	29	29
Reconciliation of fixtures, fittings & office furniture				
Carrying amount at beginning of year	56,866	64,135	46,760	59,393
Additions	18,741	8,598	1,645	71
Disposals	(3,504)	(456)	(2,409)	(140)
Depreciation	(12,793)	(15,411)	(7,784)	(12,564)
Carrying amount at end of year	59,310	56,866	38,212	46,760
Reconciliation of computer equipment				
Carrying amount at beginning of year	48,875	45,798	31,345	43,303

Note 11. Non-current assets – Property, plant & equipment (continued)

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Additions	167,151	22,083	681	4,792
Disposals	(920)	–	(778)	–
Depreciation	(46,344)	(19,006)	(15,892)	(16,750)
Carrying amount at end of year	168,762	48,875	15,356	31,345
Reconciliation of computer equipment under finance lease				
Carrying amount at beginning of year	–	–	–	–
Additions	10,370	–	–	–
Disposals	–	–	–	–
Depreciation	(1,684)	–	–	–
Carrying amount at end of year	8,686	–	–	–
Reconciliation of network equipment				
Carrying amount at beginning of year	152,895	159,889	145,909	159,722
Additions	394,589	25,089	8,891	18,016
Disposals	(36)	–	(31)	–
Depreciation	(48,841)	(32,083)	(33,941)	(31,829)
Carrying amount at end of year	498,607	152,895	120,828	145,909
Reconciliation of assets under construction				
Carrying amount at beginning of year	625,010	68,913	12,514	4,326
Additions	382,357	556,097	2,394	8,188
Transfers out	(580,237)	–	(11,217)	–
Depreciation	(12,450)	–	–	–
Carrying amount at end of year	414,680	625,010	3,691	12,514

Note 12. Non-current assets – Intangible assets

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Spectrum licences	939,177	939,177	–	–
Less: Accumulated amortisation	(65,243)	(14,295)	–	–
	873,934	924,882	–	–
Capitalised development costs	66,052	66,052	61,843	61,843
Less: Accumulated amortisation	(15,897)	(11,424)	(16,992)	(12,250)
	50,155	54,628	44,851	49,593
Customer acquisition costs	86,941	27,756	37,761	27,756
Less: Accumulated amortisation	(26,987)	(13,659)	(17,272)	(13,659)
	59,954	14,097	20,489	14,097
Capitalised funding costs	37,207	22,629	13,016	10,764
Less: Accumulated amortisation	(6,407)	(1,076)	(4,344)	(1,077)
	30,800	21,553	8,672	9,687
	1,014,843	1,015,160	74,012	73,377

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Note 13. Non-current assets – Other

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Prepayments	43,466	46,876	43,466	46,876

Note 14. Current liabilities – Payables

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Trade creditors	99,964	73,730	28,715	40,740
Other creditors	67,076	55,731	34,575	45,334
	167,040	129,461	63,290	86,074

Note 15. Current liabilities – Interest bearing liabilities

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Secured				
Lease liabilities	2,731	–	–	–
	2,731	–	–	–
Unsecured				
Bank loans (note a)	350,000	–	–	–
Loans from related entities	238,000	–	–	–
Loans from subsidiaries	–	–	2,996	2,626
	590,731	–	2,996	2,626

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 18).

$250,000,000 of the bank loans has a repayment date of 17 March 2004. The all-in cost of funding is calculated on Bank Bills Swap Yield (BBSY) plus 2.4% p.a.

$100,000,000 of the bank loans has a repayment date of 22 September 2004. The all-in cost of funding is calculated on BBSY plus 2.4% p.a.

(a) The bank loans are wholly guaranteed for principal and interest by the ultimate Parent Entity company Hutchison Whampoa Limited.

Loans from related entities have a repayment date of 31 December 2004. The all-in cost of funding is calculated on BBSY plus 2.4% p.a. (note 29).

No interest is charged on the loans from subsidiaries.

Note 16. Current liabilities – Provisions

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Employee entitlements (note 30)	602	15	578	15

Note 17. Current liabilities – Other

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Customer deposits	2	4	2	4
Unearned income	1,021	1,117	1,026	1,117
	1,023	1,121	1,028	1,121

Note 18. Non-current liabilities – Interest bearing liabilities

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Secured				
Lease liabilities	6,210	–	–	–
Unsecured				
Loans from Parent Entity (note 29)	196,000	196,000	196,000	196,000
Fixed medium term notes	425,000	425,903	425,000	425,903
Convertible notes	600,176	600,176	600,176	600,176
	1,221,176	1,222,079	1,221,176	1,222,079
Total non-current interest bearing liabilities	1,227,386	1,222,079	1,221,176	1,222,079

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 $8,686,000 representing leased computer equipment.

The average interest rate charged on the Parent Entity loan of $196,000,000 during the year was BBSY plus 1.4%.

During 2001, $425,000,000 was raised through a five year bonds issue, maturing November 2006 at coupon rate of 6.50% payable semi-annually. The securities are wholly guaranteed for principal and interest by the ultimate parent company Hutchison Whampoa Limited.

On 15 July 2002, 909,358,150 convertible notes were issued by Hutchison Telecommunications (Australia) Limited 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.

There has been no movement in the convertible notes during the year.

Note 19. Non-current liabilities – Provisions

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Employee entitlements (note 30)	580	1,336	580	1,336

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FOR THE YEAR ENDED 31 DECEMBER 2003

Note 20. Contributed equity

	PARENT ENTITY		PARENT ENTITY	
	2003 Shares	2002 Shares	2003 $'000	2002 $'000
(a) Share capital				
Ordinary shares (fully paid)	678,625,429	678,625,429	1,031,244	1,031,244

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) On 15 July 2002, 909,358,150 convertible notes were issued by Hutchison Telecommunications (Australia) Limited for a term of 5 years. The issue price was $0.66. None of these convertible notes have been converted into ordinary shares.
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.

(c) Information relating to the Hutchison Telecommunications (Australia) Limited Employee 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 30.

There has been no movement in share capital during the year.

Note 21. Reserves and accumulated losses

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
(a) Reserve				
Capital reserve	54,887	54,887	–	–
Nature and purpose of reserve				
The capital reserve relates to the surplus arising on consolidation of 19.9% stake in Hutchison 3G Australia Holdings Pty Limited. It is not distributable until realised. There has been no movement in the capital reserve during the year.				
(b) Accumulated losses				
Accumulated losses at 1 January	(456,086)	(258,760)	(398,341)	(258,164)
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(409,840)	(197,326)	(114,486)	(140,177)
Accumulated losses at 31 December	(865,926)	(456,086)	(512,827)	(398,341)

Note 22. Outside equity interests in controlled entities

Interest in:		
Share capital in subsidiary	341,477	341,477
Accumulated losses	(90,928)	(15,792)
	250,549	325,685

Note 23. Financial instruments

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2003			Fixed interest maturing in:				
	Notes	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and deposits	5	34,282	–	–	–	–	34,282
Receivables	6, 9	–	–	–	–	114,859	114,859
Other assets	8, 13	–	8,500	–	–	106,816	115,316
		34,282	8,500	–	–	221,675	264,457
Weighted average interest rate		4.86%	5.25%				
Financial Liabilities							
Payables	14	–	–	–	–	167,040	167,040
Deposits	17	–	–	–	–	2	2
Other liabilities	15, 18	786,731	–	1,031,386	–	–	1,818,117
		786,731	–	1,031,386	–	167,042	1,985,159
Weighted average interest rate		6.87%	6.55%	5.92%			
Net financial assets (liabilities)		(752,448)	8,500	(1,031,386)	–	54,633	(1,720,702)

2002			Fixed interest maturing in:				
	Notes	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets							
Cash and deposits	5	39,256	–	–	–	–	39,256
Receivables	6, 9	–	–	–	–	56,165	56,165
Other assets	8, 13	–	256,900	–	–	58,556	315,456
		39,256	256,900	–	–	114,721	410,877
Weighted average interest rate		4.75%	4.92%				
Financial Liabilities							
Payables	14	–	–	–	–	130,572	130,572
Deposits	17	–	–	–	–	4	4
Other liabilities	18	196,000	–	1,026,079	–	–	1,222,079
		196,000	–	1,026,079	–	130,576	1,352,655
Weighted average interest rate		6.11%		5.91%			
Net financial assets (liabilities)		(156,744)	256,900	(1,026,079)	–	(15,855)	(941,778)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 23. Financial instruments (continued)

Exposures arise predominately from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity.

Net fair value of financial assets and liabilities

The net fair value of cash, deposits and non-interest bearing monetary financial assets and financial liabilities of the Consolidated Entity approximate their carrying amounts with exception of traded investments (note 10).

Credit risk exposure

The carrying amounts of the financial assets included in the consolidated balance sheet represent the economic entity's maximum exposure to credit risk in relation to these assets.

Forward exchange contracts

In order to protect against exchange rate movements, the Consolidated Entity entered into forward exchange contracts to purchase GBP in the prior year.
The contracts were timed to mature when the payment was anticipated to be made.
At balance date, the details of outstanding contracts are:

	Australian dollars		Average exchange rate	
	2003	2002	2003	2002
Buy GBP / Sell Australian dollars	$'000	$'000		
Maturity : 0 – 6 months	–	738	–	0.352
As these contracts are hedging anticipated future payments, any unrealised gains / costs on the contracts are deferred and will be recognised in the measurement of the underlying transaction.				
The following gains, losses and costs have been deferred at 31 December 2003:				
Realised gains	–	–		
Unrealised gains	–	11		
Total Gains	–	11		
Unrealised losses	–	–		
Costs of contracts	–	–		
Total losses and costs	–	–		
Net Losses and costs	–	11		

Note 24. Remuneration of Directors

	Directors of Entities in the Consolidated Entity		Directors of the Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Income paid or payable, or otherwise made available, to Directors by entities in the Consolidated Entity and related parties in connection with the management of affairs of the Parent Entity or its controlled entities	582,564	658,099	582,564	658,099

The numbers of Parent Entity Directors whose total income from the Parent Entity or related parties was within the specified bands are as follows:

$	2003	2002
0 – 9,999	4	4
50,000 – 59,999	2	2
470,000 – 479,999	1	–
540,000 – 549,999	–	1

Options may be granted to Directors under the Hutchison Telecommunications (Australia) Limited Executive Option Plan, details of which are set out in note 20. No options were granted to or exercised by Directors during the years ended 31 December 2003 and 2002 (note 30).

Note 25. Remuneration of executives

	Executives of Entities in the Consolidated Entity		Executives of the Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Remuneration received, or due and receivable, from entities in the Consolidated Entity and related parties by Australian-based executive officers (including Directors) whose remuneration was at least $100,000:				
Executive officers of the parent and Consolidated Entity	10,065,816	7,361,388	10,065,816	7,361,388

Options are granted to executive officers under the Hutchison Executive Option Plan, details of which are set out in note 30.

A summary of the number of options granted to and exercised by Australian-based executive officers including Directors whose remuneration was at least $100,000 during the year ended 31 December 2003 is set out on the following page:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 25. Remuneration of executives (continued)

	Outstanding number 01/01/2003	Granted number	Forfeited number	Exercised number	Outstanding number 31/12/2003
Australian based executive officers of the Parent Entity	277,500	–	17,500	–	260,000

The numbers of Australian based executive officers (including Directors) whose remuneration was at least $100,000 from entities in the Consolidated Entity and related parties within the specified bands are as follows:

	Executives of Entities of the Parent and the Consolidated Entity	
$	2003	2002
130,000 – 139,999	–	2
200,000 – 209,999	–	1
220,000 – 229,999	2	–
230,000 – 239,999	1	–
250,000 – 259,999	1	1
270,000 – 279,999	2	–
280,000 – 289,999	2	–
300,000 – 309,999	–	1
310,000 – 319,999	1	–
320,000 – 329,999	1	–
330,000 – 339,999	–	–
340,000 – 349,999	1	1
350,000 – 359,999	1	1
360,000 – 369,999	1	–
370,000 – 379,999	1	–
390,000 – 399,999	–	1
410,000 – 419,999	–	1
420,000 – 429,999	1	–
460,000 – 469,999	–	1
470,000 – 479,999	1	2
480,000 – 489,999	–	1
490,000 – 499,999	–	1
500,000 – 509,999	1	–
540,000 – 549,999	–	1
550,000 – 559,999	1	1
610,000 – 619,999	1	–
620,000 – 629,999	–	–
710,000 – 719,999	1	–
1,390,000 – 1,399,999	–	1
1,540,000 – 1,549,999	1	–

Note 26. Remuneration of Auditors

	CONSOLIDATED		PARENT ENTITY	
	2003 $	2002 $	2003 $	2002 $
PricewaterhouseCoopers – Australian firm Audit or review of financial reports of the entity or any entity in the economic entity	351,309	192,000	185,309	122,000
Other assurance services	177,402	70,867	123,180	45,611
Total audit and other assurance services	528,711	262,867	308,489	167,611
Taxation	264,220	253,424	131,369	147,270
Total remuneration	792,931	516,291	439,858	314,881
Related practices of PricewaterhouseCoopers-Australian firm PwC Legal	127,910	791,316	–	–

It is Hutchison Telecommunications (Australia) Limited's policy to employ PricewaterhouseCoopers on assignments, additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with Hutchison Telecommunications (Australia) Limited are important, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is Hutchison Telecommunications (Australia) Limited's policy to seek competitive tenders for all major consulting projects.

Note 27. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Guarantees				
Secured guarantees in respect of leases and loans of controlled entities.	32,325	39,358	3,350	3,350
Unsecured guarantees in respect of leases of controlled entities.	14,682	9,491	14,682	9,491
	47,007	48,849	18,032	12,841

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 28. Commitments for expenditure

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'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	206,783	411,301	–	10,655
Later than 1 year but not later than 5 years	81,686	148,735	–	7,608
Later than 5 years	–	–	–	–
	288,469	560,036	–	18,263
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	49,573	48,833	9,361	11,212
Later than 1 year but not later than 5 years	109,461	115,731	14,063	19,454
Later than 5 years	63,594	70,771	6,816	10,030
	222,628	235,335	30,240	40,696
Representing:				
Non-cancellable operating leases	222,628	235,335	30,240	40,696
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Not later than 1 year	3,274	–	–	–
Later than 1 year but not later than 5 years	6,693	–	–	–
Minimum lease payments	9,967	–	–	–
Less: Future finance charges	(1,026)	–	–	–
Recognised as a liability	8,941	–	–	–
Representing lease liabilities:				
Current (note 15)	2,731	–	–	–
Non-current (note 18)	6,210	–	–	–
	8,941	–	–	–

The weighted average interest rate implicit in the leases is 7.69%.

Note 29. Related parties

Directors

The names of the persons who were Directors of Hutchison Telecommunications (Australia) Limited at any time during the financial year are as follows: C Fok, D Lui, B Roberts-Thomson, F Sixt, T Chan, J Gardener and H Kluge.

Remuneration

Information on remuneration to Directors is disclosed in note 24.

Note 29. Related parties (continued)

Transactions of Directors and Director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Hutchison Telecommunications (Australia) Limited acquired or disposed of by Directors of the Company and the Consolidated Entity or their Director-related entities:

	2003 Number	2002 Number
Acquisitions		
Ordinary Shares	60,000	–
Disposals		
Ordinary Shares	–	–

Aggregate numbers of shares and share options of Hutchison Telecommunications (Australia Limited held directly, indirectly or beneficially by Directors of the company or Consolidated Entity or their Director-related entities at reporting date:

	2003 Number	2002 Number
Ordinary shares	86,364,105	86,304,105
Options over ordinary shares	325,000	325,000

Wholly-Owned Group

The wholly-owned group consists of Hutchison Telecommunications (Australia) Limited and its wholly-owned controlled entities, Bell Paging Pty Limited, Bell Organisation Pty Limited, Bell Communications Pty Limited, Lindian Pty Limited, Erlington Pty Limited and Hutchison Telephone Pty Limited. Ownership interests in these controlled entities are set out in note 31.

During the year, Hutchison Telecommunications (Australia) Limited paid a licence fee to Hutchison Telephone Pty Limited of $10,399,044 (2002 – $13,865,392) for the use of the CDMA Spectrum licence owned by Hutchison Telephone Pty Limited.
In addition, Hutchison Telephone Pty Limited paid interest of $5,159,709 (2002 – $6,879,612) to Hutchison Telecommunications (Australia) Limited on the intercompany loan balance.

Aggregate amounts receivable from, and payables to, entities in the wholly-owned group at reporting date:

	PARENT ENTITY	
	2003 $'000	2002 $'000
Non current receivables		
Subsidiaries (note 9)	49,269	54,565
Current borrowings		
Subsidiaries (note 15)	2,996	2,626

The average interest rate charged on loans to subsidiaries during the year was 5.96%. No interest was charged on loans from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 29. Related parties (continued)

Other related parties

Aggregate amounts receivable from, and payable to, each class of other related parties at reporting date:

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Current receivables				
Controlled entity (note 6)	–	–	46,738	–
Non current receivables				
Controlled entity (note 9)	–	–	–	30,916
Current borrowings				
Commonly controlled entity (note 15)	238,000	–	–	–
Non-current borrowings				
Ultimate Australian Parent Entity (note 18)	196,000	196,000	196,000	196,000

The average interest rate charged on the ultimate Australian Parent Entity loan of $196,000,000 during the year was BBSY plus 1.4%.

The average interest rate charged on the commonly controlled entity loan of $238,000,000 during the year was BBSY plus 2.4% p.a.

The average interest rate charged during the year on $21,000,000 of the controlled entity loan of $46,738,000 was BBSY plus 2.4% p.a.

No interest was charged on $25,738,000 of the loan to the controlled entity.

Transactions with other related parties

Transactions between Hutchison Telecommunications (Australia) Limited and its controlled entity, Hutchison 3G Australia Pty Limited during the years ended 31 December 2003 and 2002 consisted of:

(a) loans advanced by Hutchison Telecommunications (Australia) Limited

(b) loans repaid to Hutchison Telecommunications (Australia) Limited

(c) the repayment of interest on the above loans

(d) reimbursing expenditures incurred by Hutchison Telecommunications (Australia) Limited, at cost, on behalf of Hutchison 3G Australia Pty Limited in relation to its operations and build of the 3G network, including salaries, rent, marketing, travel, consulting and professional fees, management fees for executive services, computer software and hardware, global development, and network and site deployments costs. The total of these transactions was $88,815,591 (2002 – $542,973,485).

The Parent Entity 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.

During the year, Hutchison 3G Australia Pty Limited had a revolving loan facility in place with Hutchison OMF Limited. The amount outstanding at year end has been disclosed in note 15.

Aggregate amounts included in the determination of loss from ordinary activities before income tax that resulted from transactions with each class of other related parties:

Note 29. Related parties (continued)

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Interest revenue				
Controlled entities	–	–	2,008	–
Interest expense				
Ultimate Australian Parent Entity	45,308	–	50,456	11,991
Commonly controlled	1,765	–	–	–

The Consolidated Entity participates in the global development of 3G network platforms and IT systems with other related parties. $22,229,587 (2002 – $47,206,608) has been paid during the year and $17,766,430 (2002 – $20,117,620) has been accrued at the reporting date to cover anticipated recharges of global development costs from other related parties.

During the year, $7,370,290 (2002 – $1,204,000) and nil (2002 – $82,653) were paid to associated companies, Etsa Utilities and Powercor Australia Ltd respectively, which are part of the ultimate Parent Entity's group. In addition, $5,255,282 (2002 – $1,892,281) was paid to other related parties in India for the establishment and operation of call centre services.

There were no transactions with other related parties during the years ended 31 December 2003 and 31 December 2002.

Controlling entities

The holding company and Australian Parent Entity is Hutchison Communications (Australia) Pty Limited which at 31 December 2003 owns 58% (2002 – 58%) of the the issued ordinary shares of Hutchison Telecommunications (Australia) Limited. Hutchison Communications (Australia) Pty Limited holds 906,206,358 (99.65%) of the 5 year convertible notes issued on 15 July 2002 which 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 ultimate Parent Entity is Hutchison Whampoa Limited (incorporated in Hong Kong) which at 31 December 2003 beneficially owns 100% (2002 – 100%) of the issued shares of Hutchison Communications (Australia) Pty Limited.

Note 30. Employee benefits

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Employee benefit and related on-costs liabilities				
Included in other creditors-current (note 14)	4,682	4,172	4,682	4,172
Provision for employee benefits-current (note 16)	602	15	578	15
Provision for employee benefits-non-current (note 19)	580	1,336	580	1,336
Aggregate employee benefit and related on-costs liabilities	5,864	5,523	5,840	5,523
Employee numbers				
Average number of employees during the financial year	1,123	1,459	1,123	1,459

Hutchison Telecommunications Employee Option Plan

The establishment of the Hutchison Telecommunications (Australia) Limited Executive Option Plan was approved by the Board on 3 July 1999. Full-time, permanent part-time and casual employees are eligible to participate in the plan and acquire ordinary shares. As at 31 December 2003, a total of 1,140,000 (2002 – 1,360,000) options were on issue. All options vest 2 years prior to expiry date. Options granted under the plan carry no dividend or voting rights. During the year, no option was granted to employees under the plan. Options are granted for no consideration. The amount received on the exercise of options will be recognised as issued capital at the date of issue of the shares.

3,864,750 options have vested at reporting date. The fair value of the fully vested options is nil, as the market price at year end is below the exercise price.

Set out on the following page are summaries of options granted under the plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 30. Employee benefits (continued)

	Expiry date	Exercise price	Balance at the start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
Consolidated and Parent Entity – 2003	15-Aug-04	$2.00	1,290,000	–	–	220,000	1,070,000
	17-Aug-06	$0.54	70,000	–	–	–	70,000
Total			1,360,000	–	–	220,000	1,140,000
Consolidated and Parent Entity – 2002	15-Aug-02	$1.84	149,750	–	–	149,750	–
	15-Aug-04	$2.00	2,025,000	–	–	735,000	1,290,000
	30-Aug-05	$2.78	100,000	–	–	100,000	–
	12-Nov-05	$3.00	50,000	–	–	50,000	–
	23-Jan-06	$2.50	115,000	–	–	115,000	–
	17-Aug-06	$0.54	70,000	–	–	–	70,000
Total			2,509,750	–	–	1,149,750	1,360,000

Note 31. Investments in controlled entities

Name of Entity	Country of incorporation	Class of shares	Equity Holding 2003 %	Equity Holding 2002 %
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
Hutchison 3G Australia Holdings Pty Limited	Australia	Ordinary	80	80
Hutchison 3G Australia Pty Limited	Australia	Ordinary	80	80
H3GA Properties(No. 1) Pty Limited	Australia	Ordinary	80	80
H3GA Properties(No. 2) Pty Limited	Australia	Ordinary	80	80
Mondjay Pty Limited	Australia	Ordinary	80	80
Tovadan Pty Limited	Australia	Ordinary	80	80

Note 32. Segment information

Business segments

The Consolidated Entity operated entirely within the telecommunications industry with the following product and service types:

Orange: Orange products including post pay and prepaid mobile 'Orange', paging and information services.

3: A third generation (3G) mobile network and business which commenced operations in the second quarter of 2003.

Geographical segments

The Consolidated Entity operates entirely within Australia.

Note 32. Segment information (continued)

Primary reporting-business segments	Orange $'000	3 $'000	Inter-segment eliminations / unallocated $'000	Consolidated $'000
2003				
REVENUE				
Sales to customers	251,907	88,249	–	340,156
Other revenue	22,228	8,541	(17,221)	13,548
Total segment revenue	274,135	96,790	(17,221)	353,704
RESULT				
Segment result	(113,652)	(377,571)	6,246	(484,977)
Loss from ordinary activities before income tax				(484,977)
Income tax				–
Net loss				(484,977)
Segment assets	1,866,228	2,002,900	(1,411,012)	2,458,116
Segment liabilities	1,343,398	747,629	(103,665)	1,987,362
Acquisition of property, plant and equipment and intangible assets	22,743	397,834	10,191	430,768
Depreciation and amortisation	67,606	107,721	–	175,327
Non-cash expenses other than depreciation and amortisation	18,343	17,688	–	36,031
Net cash outflow from operating activities	88,958	349,319	(28,780)	409,497
2002				
REVENUE				
Sales from customers	227,346	–	–	227,346
Other revenue	38,855	5,483	(35,163)	9,175
Total segment revenue	266,201	5,483	(35,163)	236,521
RESULT				
Segment result	(138,487)	(79,354)	4,723	(213,118)
Loss from ordinary activities before income tax				(213,118)
Income tax				–
Net loss				(213,118)
Segment assets	2,014,833	1,707,418	(1,407,226)	2,315,025
Segment liabilities	1,377,913	74,576	(93,194)	1,359,295
Acquisition of property, plant and equipment and intangible assets	47,958	428,105	–	476,063
Depreciation and amortisation	71,164	–	–	71,164
Non-cash expenses other than depreciation and amortisation	29,255	–	–	29,255
Net cash outflow from operating activities	(14,989)	(109,332)	14,734	(109,587)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Note 33. Reconciliation of net loss attributed to members of Hutchison Telecommunications (Australia) Limited to net cash outflow from operating activities

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Net loss attributable to members of Hutchison	(409,840)	(197,326)	(114,486)	(140,177)
Change in minority interest	(75,137)	(15,792)	–	–
Amortisation	55,421	9,956	4,742	4,742
Depreciation	119,906	61,208	57,617	61,143
Amortisation-subscriber acquisition costs	24,630	23,659	14,915	23,659
Net(gain) / loss on sale of non-current assets	(29)	337	(48)	140
Increase / (decrease) in provision for doubtful debts	4,794	2,132	115	2,132
(Increase) / decrease in receivables	(68,771)	21,142	(37,582)	15,814
(Increase) / decrease in inventories	(23,462)	3,921	521	3,926
(Increase) / decrease in other assets	(48,258)	711	5,126	1,011
Increase / (decrease) in payables	11,516	(17,284)	(19,592)	14,872
Increase / (decrease) in other current liabilities	(98)	(1,313)	(93)	(1,313)
Increase / (decrease) in employee entitlements	(169)	(938)	(193)	(938)
Net cash outflow from operating activities	(409,497)	(109,587)	(88,958)	(14,989)

Note 34. Non-cash-financing and investing activities

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Acquisition of plant & equipment by means of finance lease	10,370	–	–	–

Note 35. Earnings per share

	CONSOLIDATED	
	2003 Cents	2002 Cents
Basic earnings per share	(60.4)	(29.1)
Diluted earnings per share	(60.4)	(29.1)
	2003 Number	**2002 Number**
Weighted average number of ordinary shares outstanding during the year (adjusted for bonus elements in ordinary shares issued during the year) used in calculation of basic earnings per share	678,625,429	678,625,429
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted earnings per share.	1,587,983,579	1,587,983,579

Note 35. Earnings per share (continued)

Reconciliation of earnings used in calculating basic earnings and diluted earnings per share

	CONSOLIDATED	
	2003 $'000	2002 $'000
Net loss	(484,977)	(213,118)
Net loss attributable to outside equity interest	75,137	15,792
Earnings used in calculating basic and diluted earnings per share	(409,840)	(197,326)

Information Concerning the Classification of Securities

Options

Options granted to employees and Directors under the Hutchison Telecommunications (Australia) Limited 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.

Convertible Notes

Convertible notes are considered to be potential ordinary shares and have been included in the determination of the diluted earnings per share.

The convertible notes have not been included in the determination of the basic earnings per share.

Note 36. Events subsequent to balance date

In January 2004, the company entered into a capital commitment of approximately $30,000,000 for the expansion of the Orange mobile network. The commitment is subject to a three year deferred payment arrangement.

With the exception of the expansion of the Orange network, outlined above, no matter or circumstance has arisen that has significantly affected, or may significantly affect:

(i) the operations of the Company in future financial years, or

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

(iii) the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 29 to 59:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Director's opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*; 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
CHAIRMAN

LUI POK-MAN, DENNIS
EXECUTIVE DEPUTY CHAIRMAN

17 February, 2004

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED

Audit opinion

In our opinion, the financial report of Hutchison Telecommunications (Australia) Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Hutchison Telecommunications (Australia) Limited and the Hutchison Telecommunications (Australia) Limited Group (defined below) as at 31 December 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and Directors' responsibility: The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both Hutchison Telecommunications (Australia) Limited (the company) and the Hutchison Telecommunications (Australia) Limited Group (the Consolidated Entity), for the year ended 31 December 2003. The Consolidated Entity comprises both the company and the entities it controlled during that year.

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

Audit approach: We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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

PRICEWATERHOUSECOOPERS

DJ WHALE
PARTNER

Sydney
17 February, 2004

Liability is limited by the Accountant's Scheme under the *Professional Standards Act 1994 (NSW)*.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 8 March 2004

Substantial shareholders

Substantial shareholders in the Company are:

	Shareholding	Percentage
Hutchison Communications (Australia) Pty Limited	392,353,358	57.8%
Telecom Corporation of New Zealand Limited*	392,353.358	57.8%
Leanrose Pty Limited	84,958,747	12.5%

** Note substantial shareholding arises solely as a result of the relevant interest in shares held by Hutchison Communications (Australia) Pty Limited and certain commitments given to Telecom Corporation of New Zealand Limited by Hutchison Whampoa Limited, the ultimate parent company of Hutchison Communications (Australia) Pty Limited which were approved by shareholders in August 2001, not as a result of a direct or indirect holding of shares in the Company by Telecom Corporation of New Zealand Limited.*

Distribution of equity securities

Range	Ordinary Shares	Convertible Notes	Options
1-1000	2,180	26	0
1001-5000	4,729	81	2
5001-10,000	1,286	15	0
10,001-100,000	1,368	18	12
100,001-OVER	115	5	2
Total	10,388	147	17

There were 3,083 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

The names of the 20 largest holders of quoted ordinary shares as at 8 March 2004 are as follows:

Shareholder	Shareholding	Issued Capital (%)	Rank
Hutchison Communications (Australia) Pty Ltd	392,353,358	57.82	1
Leanrose Pty Ltd	84,958,747	12.52	2
HSBC Custody Nominees (Australia) Ltd	61,202,319	9.02	3
Citicorp Nominees Pty Ltd	23,449,695	3.46	4
Westpac Custodian Nominees Ltd	12,120,417	1.79	5
J P Morgan Nominees Australia Ltd	7,964,777	1.17	6
National Nominees Ltd	2,037,773	0.30	7
Yee Man Tang	1,242,000	0.18	8
BB Nominees Pty Ltd	1,133,555	0.17	9
Kevin Steven Russell	1,100,000	0.16	10
ANZ Nominees Ltd	1,021,951	0.15	11
Jamcap Nominees Pty Ltd	750,000	0.11	12
UBS Warburg Private Clients Nominees Pty Ltd	659,500	0.10	13
Kim Ching	614,800	0.09	14
Rodney Ebsworth	600,000	0.09	15
David Dyson	524,242	0.08	16
Lawrence Grice	517,866	0.08	17
David Richard Dyson & Samantha Jane Dyson	500,000	0.07	18
Mohamad Abas	400,000	0.06	19
Holdex Nominees Pty Ltd	400,000	0.06	20

Twenty largest noteholders

The names of the 20 largest holders of quoted convertible notes as at 8 March 2004 are as follows:

Noteholder	Noteholding	Rank
Hutchison Communications (Australia) Pty Ltd	906,206,358	1
HSBC Custody Nominees (Australia) Ltd	1,378,287	2
Yee Man Tang	839,190	3
Canning Kin Ning Fok	134,000	4
J P Morgan Nominees Australia Ltd	80,400	5
Sam Chong Yee Hui & Freda Yu Ha Hui	67,000	6
Justin Herbert Gardener & Anne Louise Gardener	57,430	7
Citicorp Nominees Pty Ltd	46,900	8
James Barry Ritchie & Peggy Dawn Ritchie	29,279	9
Ruth Helen Davis	20,636	10
Gavin Law Bunning	20,100	11
Shiva Enterprises Pty Ltd	15,000	12
ANZ Nominees Ltd	13,400	13
Wing Keung Chan & Ho Wai Fong Chan	13,400	14
Ching Tak Fok & Yvonne Leung	13,400	15
Mervyn John Phillips	13,400	16
Colin Pollock & Margaret Irene Pollock	13,400	17
Teampass Pty Ltd	13,400	18
Tania Lee Trevethan	13,400	19
Patricia Chen	10,720	20

Unquoted Equity Securities

Options issued under the Executive Option Plan	Number of Options on issue	1,140,000
	Number of holders	16

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) Options
No voting rights.

(c) Convertible notes
No voting rights.

CORPORATE DIRECTORY

DIRECTORS

FOK Kin-ning, Canning

LUI Pok-Man, Dennis

Barry ROBERTS-THOMSON

CHAN, Ting Yu

Justin H. GARDENER

Holger KLUGE

Frank John SIXT

COMPANY SECRETARIES

Edith SHIH

Louise SEXTON

INVESTOR RELATIONS

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Tel: (02) 8280 7116

AUDITOR

PricewaterhouseCoopers

Chartered Accountants

201 Sussex Street

Sydney NSW 2000

STOCK EXCHANGE LISTING

Hutchison shares are listed on the
Australian Stock Exchange Limited

ASX Code: HTA

ANNUAL GENERAL MEETING

The Annual General Meeting of Hutchison
will be held at:

Hutchison Telecommunications (Australia) Limited

Corporate Headquarters

Building A, 207 Pacific Highway

St Leonards NSW 2065

Date: Tuesday, 18 May 2004

Time: 2:30 pm

A formal notice of meeting is enclosed.

Designed and produced by Cobé Design

Hutchison
Telecoms

Telecommunications operations of
Hutchison Whampoa Limited