Delivering Growth

HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED

Annual Report 2005

Notice of Annual General Meeting 2006
The Annual General Meeting of Hutchison will be held at: The Conference Centre, Building A, 207 Pacific Highway, St Leonards NSW 2065 **Date:** Tuesday 9 May 2006 **Time:** 10.00am A formal notice of meeting is enclosed.

A Short History of Mobile Telecommunications in Australia

Australia's first mobile phone system commenced operation in 1981, a long way from today's mobile services. This 1st generation (1G) technology, Advanced Mobile Phone System (AMPS), was an analogue service.

In 1993, second generation (2G), digital global system for mobile communications (GSM) networks were launched, followed by a new 2G network based on Code Division Multiple Access (CDMA) in 1999.

In 2003, Hutchison introduced Australia's first 3rd generation (3G) network. The 3G network uses the global Wideband CDMA (W-CDMA) standard. As well as being a multiple more efficient than 2G, 3G enables the delivery of more than just voice and text services, like live mobile TV and broadband access through mobile handsets.

Contents

We have made
major gains
in revenue, margins and
financial performance

Focus starting to pay off

Hutchison's determination to lead Australia into the future of mobile technology, where 3rd generation (3G) services will help change the way people use their mobiles, is delivering results.

2005 has been a significant year for Hutchison in Australia. We have made major gains in service revenue, strengthened margins and improved our overall financial performance.

Our business strategy is well on track and we have maintained our leadership in the dynamic and different 3G mobile market in Australia.

We have delivered new products and plans, introduced exciting new services, and grown customer usage of those new services by understanding how to price, package and promote our products.

We saw the financial benefit of our radio access network sharing arrangement with Telstra, and also roam onto most of their GSM network, giving **3** the ability to reach over 96% of the Australian population for talk, SMS, MMS and email.

Last year we foreshadowed the growing fundamental change in the global and local mobile markets and in 2005 we have seen a rapid acceleration of this change. The decline of the older 2nd generation (2G) networks, has become inevitable, just as is the growth and expansion of 3G. In recognising the immense opportunities this change brings, we are now entering our fourth year of the 3G business. The speed and capacity efficiencies of 3G are complemented by lower operating cost structures, and as more users access more services, margin growth will become a prime factor in performance.

Later in this report, shareholders will read in more detail of the initiatives we have taken to capitalise on our leading position in 3G, including the rebranding of our 2G service to **3**, and upgrading our customer base to the latest technology.

Only a few years ago, mobile users had a choice limited to voice and SMS services. Today in Australia, Hutchison's **3** customers can access services which include live face to face video calling, music video downloads, live mobile television broadcasts and mobile internet.

The market in which we operate has changed permanently. As we enter 2006, our conviction is twofold. That 3G is here and now, and 3G is the future.

Our Company has made great strides this year. We are poised to make greater strides in the future.

1989
Started with Paging business under the Hutchison brand

1999
Launch of the Orange brand
Enter into a roaming agreement with Telstra CDMA

2000
Launch of our own CDMA network

2001
Orange repositioned as a simple, value voice product
We acquire spectrum for 3G network

About Hutchison

Hutchison is focused on delivering leading communications and multimedia services to the Australian consumer. There are over 1 million customers across our family of **3** services – **3** 3G, **3** CDMA (a 2G service) and **3** Paging.

At Hutchison, we believe the future is 3G and customers today want more from their mobile service.

Hutchison launched Australia's first 3G service in April 2003 and today has over 800,000 customers using the network not only for voice calls and messaging services, but also tuning in to mobile TV, downloading and listening to full length audio and music videos, and videocalling friends and family.

Vision, Mission & Values

We have achieved much within a short period of time. Our bold strategy in 3G has changed the mobile landscape, changed customer behaviour and shown other operators the way. Our future success will be based on delivering what we promise and by focusing on how we go about our business.

Our aspiration is:

- To challenge and change the way people use their mobiles forever by creating an experience that is more useful, more entertaining and more valuable than the one they know today
- To build a desirable brand and business that people, both customers and staff, want to be part of
- The ultimate measure of success will be how many people can't imagine life without **3**

2002
We begin to build the 3G network

2003
Launch 3 – Australia's first 3G network

2004
Enter into a joint venture with Telstra to share the 3G radio access network

2005
Over 1 million customers on 3 and 3 CDMA
Upgrade of 2G customers to 3G begins

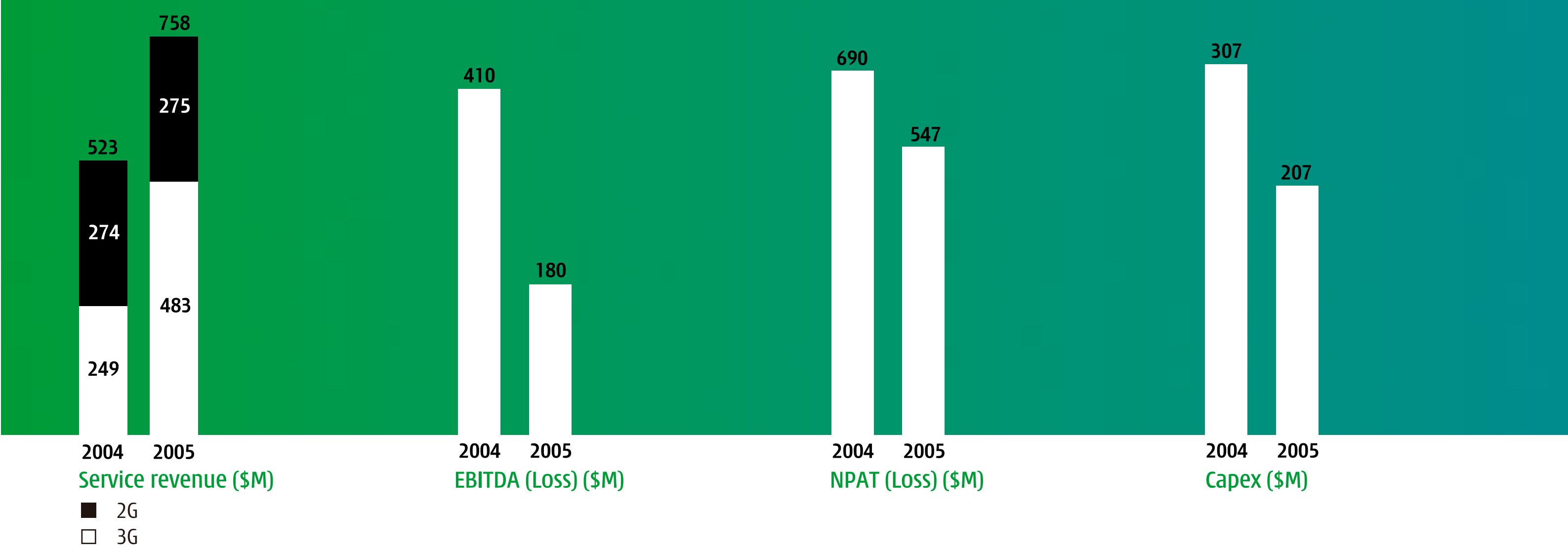
Our approach - our three pillars:

1. Live our brand
   - Reflect the brand values in everything we do
   - Be a brave leader
   - Be creative - think differently
   - Keep things simple and relevant
   - Question the status quo

2. See the world through our customer's eyes
   - Deliver on our promises
   - Listen to, understand and value the customer
   - Be sensitive to our customer's unique needs
   - Respect the customer's time
   - Be patient and empathetic

3. Do the right thing
   - Be open and honest
   - Respect colleagues, customers and partners
   - Take accountability for our actions
   - Own the customer issue
   - Celebrate success

Financial highlights



Highlights

2005 was the year in which our operating leverage clearly showed through. In a period when service revenue climbed by $235 million, driven by strong growth in customer numbers and increased use of non-voice services, our running operating costs decreased by 2%. This resulted in a solid improvement in our EBITDA losses by $230 million. Scale in terms of customer numbers and revenue is clearly very important when the cost base within the business is relatively fixed. We have a great opportunity to continue to grow scale in customer and revenue terms and, at the same time, manage the growth in our operating expenses at a much lower level.

David Dyson
Chief Financial Officer

Financial highlights

Hutchison continued to grow strongly which drove improved financial performance across the key reporting areas. Compared to the year ended 31 December 2004:

- Overall service revenue grew by $235.1 million or 45% to $758.2 million
- Service revenue in the 3G business grew by 94% and non-voice revenue at $112.5 million was more than triple the prior year
- Average non-voice revenue per customer per month in the 3G business increased from $13 to $19 by the end of the year
- Average margin contribution per customer per month across the entire customer base strengthened from $45 to $48
- EBITDA losses reduced by $230.2 million to $180.1 million, a 56% improvement on the full year EBITDA loss in 2004

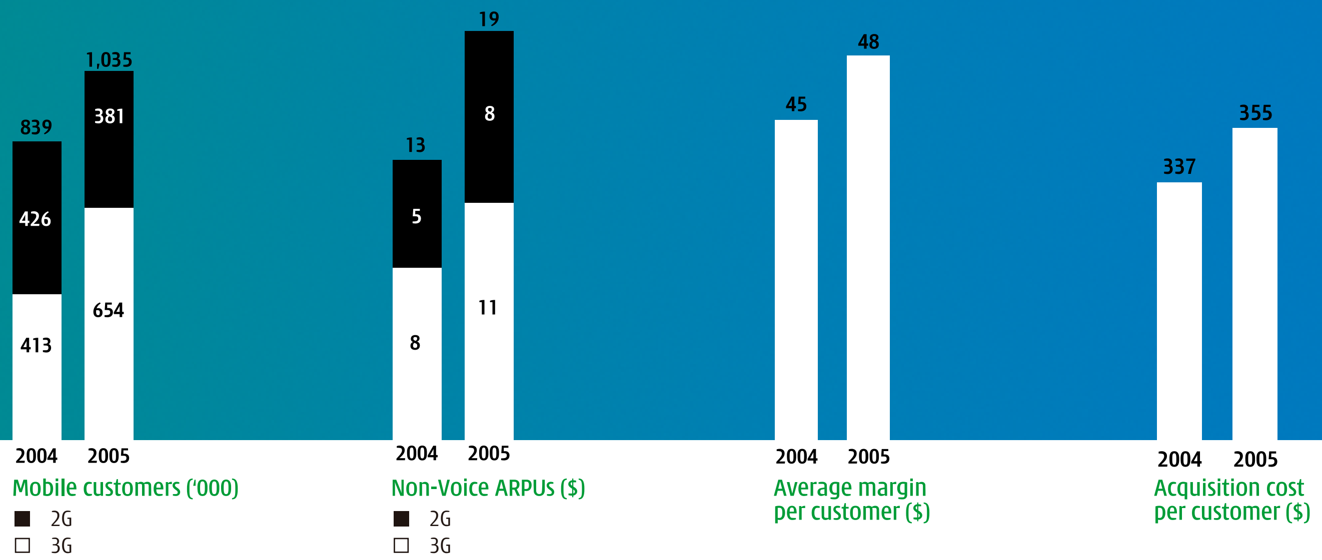
$ million	2005	2004	Change %
Service revenue	**758.2**	523.1	45
Reported EBITDA (loss)	**(180.1)**	(410.3)	56
NPAT (loss)	**(547.3)**	(690.1)	21
Capital expenditure	**(207.1)**	(307.4)	33

Service revenue excludes handset revenue, interest income and other income.

EBITDA excludes depreciation and amortisation, and includes the immediate expense of all customer acquisition cost.

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

Operational highlights



Operational highlights

Hutchison continued to make improvements in operation of the business:

- Total mobile customer base grew by 23% to 1,035,000 customers
- Net customer growth increased by 58% (241,000 net customer additions) in the 3G business
- Post-paid customers across both the 2G and 3G bases accounted for 87% of the total customer base
- New handset launches towards the end of the year and an increased awareness of 3G services resulted in strong sales growth

	2005	2004	Change %
Customer base ('000)	**1,035**	839	23
Average revenue per user (ARPU)($)	**67**	70	(4)
Margin ($)	**48**	45	7
Customer acquisition cost ($)	**355**	337	5

Customer base reflects active mobile services in operation at the end of the year and excludes Paging and Information Services.

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

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

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

94%
rise in 3G service revenue

Chairman's Message

It is clear the transition of the mobile market from 2G to 3G is starting to gain momentum. It is also clear that our direction to pursue the 3G market is proving to be correct.

Dear Shareholder,

The financial year to 31 December 2005 has brought significant success for Hutchison. We reached a total mobile customer base of 1.035 million, increased service revenue by 45% to $758.2 million and improved our net loss outcome, reflecting the combined effects of revenue and margin growth, and reduced operating costs.

As a result, for the first time since the launch of our 3G business in 2003, I am pleased to report at year end, our EBITDA losses had reduced by $230.2 million, an improvement of 56% on 2004.

An important element in revenue growth has been the strengthening contribution from our non-voice services in the **3** business, with average non-voice revenue per customer increasing to $19 from $13 per month. Service revenue in the 3G business grew by 94% and non-voice revenue reached $112.5 million.

Capital expenditure investment of $207.1 million was $100.3 million less than last year and principally involved costs associated with enhancement of **3**'s network capability, including the effects of our 3G joint venture with Telstra which jointly owns Australia's largest (3G) radio access network. The implementation of a new national roaming agreement with Telstra for access to most of their GSM/GPRS network has also been successfully executed.

The financial results reflect the mandatory adoption of the new Australian equivalents to the International Financial Reporting Standards from 1 January 2005. Details can be seen in Note 40 of the Financial Statements.

9 million news text & video stories were viewed

The state of the market

This year we have seen further acceleration in the transition from 2G to 3G networks and it is clear this transition will continue its impetus. It is also clear that our decision to pursue this market continues to prove to be correct. With the peak in the 2G market becoming apparent, we deliberately slowed customer acquisition in our 2G business in 2005 and achieved improved margins.

Hutchison's **3** business leadership in the 3G market places the Company in a strong position to build significantly on its growth in both customer acquisition and non-voice services. Improved handsets delivered in late 2005 enhances our ability to offer attractively priced and packaged voice and non-voice services.

Looking ahead

In order to ensure our focus on 3G is unfettered, the continued operation of our 2G CDMA network is under review and from early 2006 we have combined both the CDMA and 3G businesses under the **3** brand, and commenced upgrading CDMA customers to 3G. Ultimately this should, together with continued growth from underlying new customer numbers, lead to improved financial performance.

We acknowledge the support and financial backing of our parent company, Hutchison Whampoa Limited (HWL), who provide a global advantage in knowledge, economies of scale in procurement of technology and handsets, cost sharing and joint development of systems.

We remain firmly committed to leading the adoption of 3G services in Australia, and we anticipate both consumer awareness and demand will accelerate over the coming years. **3** will continue to be the 3G leader in Australia, providing services our customers enjoy as well as great value to those customers.

Fok Kin-ning, Canning
Chairman

2 million
music events were experienced

Chief Executive Officer's Message

A market leading customer proposition, solid execution and an increased awareness of 3G services led to improved financial performance.

Consistent strategy, consistent growth

Hutchison's uncompromised focus on leading the market into 3G has delivered very encouraging results in 2005. We take pride in being first to commit to this market and this pride in achievement and leadership is evident throughout the Company. Our management and staff know where we are going, know how to get there and know where they fit into the plan for our future success. Our people continue to demonstrate a deep passion for success and for getting it right for our customers, for the Company, and for our shareholders.

A focus on results

Financially, our results are very encouraging. Service revenue growth was up by 45%. An increasing post-paid customer base and, importantly, a strengthening contribution from non-voice services in our **3** branded 3G business underpinned our financial results. Our net EBITDA loss position improved, particularly in the second half of the year, leading to an EBITDA loss of $180.1 million, down from an EBITDA loss of $410.3 million in 2004. Average margin contribution per customer across the entire base increased from $45 to $48.

Operationally, our total mobile base grew by 23%, representing net growth of 58% (241,000 customers) in the 3G business, and a net loss of 11% in the 2G segment due to our reduced marketing emphasis in this market. Our main focus for growth remains the post-paid 3G customer market. Our subscriber base currently is made up of 87% post-paid customers.

Momentum has continued into 2006, with over 800,000 3G customers as at the beginning of March.

44%
subscribed to packs or passes

A major element in our strategy for growth in 2005 was the introduction of new, competitively priced handsets from a wider range of manufacturers, and with improved form factor and functionality.

These new handsets have not only been a key factor in attracting new customers, but have also been key to retaining existing customers as they upgrade and extend their services with **3**.

Our increased customer base and strong non-voice average revenue per user has resulted in total service revenue market share of around 7%. Margin contribution per customer per month improved, supported by an improved customer mix in the higher margin 3G network.

Outlook

We enter 2006 with our concentration on the 3G market. Non-voice service usage continues to grow, with customer acceptance of 3G technology and services driving the take up to mass market proportions. The launch in early 2006 of the first affordable mainstream Nokia handset is a significant step forward in a handset sensitive market.

Tight management of operating expenses, the continued fall in handset buy prices, together with the benefits from the global scale of the HWL 3G Group, will aid profitability.

The growing awareness of and popular demand for non-voice services, attractive and versatile handsets and well priced services are leading 2G mobile users to question their re-investment in 2G when considering a new handset. The result is that increasing numbers of customers from all operators are beginning to migrate from 2G to 3G at an accelerating rate. Hutchison's decision to upgrade its own 2G customers to 3G in 2006, and concentrate on our **3** brand, has contributed to this migration impetus in the wider market.

The rapid migration of 2G customers to 3G networks presents two key opportunities:

- 2G customers upgrading to 3G will allow rationalisation of duplicate infrastructure and reduce costs, and
- As 2G customers of other operators look around to see who is best placed to provide compelling and attractive 3G services, we believe the **3** brand will be the most desirable in the 3G market.

We remain ready to take maximum advantage of the market impetus toward 3G, and firm in our belief that 3G is the future of mobile communications.

Kevin Russell
Chief Executive Officer

70% of our customers browsed content on Planet 3

Review of Operations

Our services

Hutchison began 2005 with two distinct mobile service offerings:

- Under the Orange brand, our 2G network service, allowing mainly voice and SMS messaging, and
- Under the **3** brand, our 3G network, which is the first network in Australia to bring a wide range of non-voice services to customers.

As we enter 2006, we have joined both our 2G and 3G services under the single brand of **3** and since February 2006, we are exclusively selling 3G services.

Getting more from your mobile

We recorded strong growth in 2005 due to increased market awareness of the opportunities provided by our 3G network, boosted by the introduction of new 3G handsets.

We also focused on delivering non-voice services across our 3G network.

In the 3G business, non-voice ARPU grew solidly from $13 per customer per month in the second half of 2004 to $19 in the second half of 2005, representing 24% of the total ARPU from 3G customers. Revenue from SMS of $11 still currently underpins the total non-voice ARPU of 3G customers but other non-voice services, including content and high-speed data access, contributed an industry leading $8 per month in 2005.

In December, approximately 70% of the 3G customer base accessed our content portal and 53% had a chargeable content event. By comparison, approximately 73% of our 3G customer base had a chargeable SMS event. It is encouraging to see our penetration rates for 3G customer usage continue to grow as our base grows and we move well past 3G early adopters.

3 has invested in delivering new content services in key areas which generated the most interest and demand from customers, including Mobile TV and music. In 2005, customers accessed live TV from Big Brother, CNN and Sky Racing, watched the Cartoon Network, ABC Kids and music video programme Rage, and downloaded thousands of full length audio and video music tracks from our music product.

By the end of the year there were over

520,000

monthly subscriptions services

Customers also took advantage of being able to watch the world's first live stream to a mobile phone of a cricket match when **3** showed Channel 9's coverage of the Johnnie Walker Super Series. 3G customers continued to enjoy that coverage with the rest of the **3** Test Series, with over 260,000 live streams accessed with an average viewing time of about 8 minutes. Demand for this service is likely to be high in 2006 as the **3** mobile Ashes Series comes to Australia, with customers being able to watch all of the action live on their **3** mobile.

5 million videocalls

Review of Operations continued

Understanding what content our customers like, and how they prefer to pay for it, has been important in enabling customers to get more from their mobile as well as growing non-voice revenue. In 2005 we focused on bringing 3G customers content on a subscription basis – enabling customers to subscribe to a service for a fixed amount per month without additional data charges. For example, customers had unlimited access to the live cam service for Big Brother at $5 per month. Because our pricing is simple and transparent, customers subscribe to other services, and by the end of 2005 there were over 520,000 monthly subscription services to products such as news, sports and games.

Our strategy to leverage the capabilities of a W-CDMA 3G network is on track, and customer trends and behaviour towards increasing use of non-voice services continue to be encouraging and indicate future revenue and margin potential.

Being able to offer consumers a wide range of feature rich, attractively priced and good looking handsets is a key element in the take up of 3G services in Australia. Early model handsets were adequate in the introductory phase of 3G but were not sufficiently advanced nor provided by a wider range of manufacturers to suit a broader population of users.

Manufacturers such as Sony Ericsson, LG and Motorola have invested significantly in the development of 3G mobile handsets with broader market appeal. In February 2006, Nokia introduced the 6280 – a feature rich, affordably priced unit from a highly popular brand. The availability of the Nokia 6280, together with models from Motorola, LG and Sony Ericsson, provide a range of attractive choices in a handset sensitive market.

4 million horoscope and tarot readings were accessed

3 now offers this range to customers, including those upgrading from our 2G network services, and there is no doubt that the availability of these mainstream models will add impetus to customers considering the change to 3G and the extraordinary list of affordable voice and non-voice features awaiting them. We anticipate high feature, high quality handsets will provide a significant boost to sales generally in the industry and Hutchison is in an ideal position to benefit as we combine attractive packaged services with a choice of state of the art technology. We are also able to take advantage of the global buying power of HWL.

We now reach 96% of Australians with Talk, SMS, MMS, and Email.

Review of Operations continued

Australia's largest 3G network

During 2005, the 3G network was expanded to 2,200 sites, including new coverage for areas such as Canberra, Werribee in Victoria and Campbelltown in NSW. The 3G radio access network is shared with Telstra, and **3**'s customers roam onto Telstra's GSM network, providing talk, SMS, MMS, and email to over 96% of Australia's population.

The benefits offered by the 3G network include a greater efficiency across both voice and data, with multiple times the capacity offered by 2G and greater capacity at lower cost per bit transmitted. 3G also enables a range of non-voice services that 2G cannot support efficiently. When operating at full capacity, the 3G network will provide significant cost savings over 2G.

50 million content events experienced by customers

The Hutchison advantage

Hutchison has three distinct areas of business advantage over our competitors in the 3G market. First we started as a greenfield operator with a different risk profile to other operators with a singular focus on 3G and the greatest opportunity for growth. Secondly, as a first mover into 3G we enjoy leadership experience and market status in both brand and services. Finally, we have a global advantage with the support, knowledge base and scale economies provided by our parent company, HWL with 11 million customers located in 10 markets around the world.

Outlook

At Hutchison, we are focused on **3** and 3G because the future in mobile is 3G. Data speeds and capacity efficiencies on 3G enable delivery of a greater range of non-voice services than 2G. 3G has a standardised roadmap with a global commitment to its continued development. Our customer proposition continues to strengthen, with new products and services, and better ways of pricing, packaging and promoting content to our customers, being a clear focus.

We will successfully migrate margin from **3** CDMA to 3G thereby improving Hutchison's profitability. As at the first week of March 2006, we have upgraded almost 100,000 **3** CDMA customers to 3G since the start of January.

In addition, January and February have seen solid sales on **3** delivering an average monthly growth rate higher than that achieved in 2005. Initial signs are that our competitors' 3G launches have only helped fuel **3**'s sales momentum, rather than dampen it.

The handset roadmap for 2006 continues to look encouraging as form factor, range and manufacturers continue to play an important and influential role in the industry.

In 2006 we anticipate the start of a more rapid market migration of 2G customers to 3G networks, particularly the higher spending customers. This trend opens two key opportunities for Hutchison.

First, once a significant proportion of our 2G customer base has upgraded to 3G, a further rationalisation and improvement in our cost structure with the removal of duplicate 2G infrastructure and associated costs will be possible. Secondly, as other 2G customers look around to see who is best placed to provide compelling and attractive 3G services, as well as the right plans and handset prices, we believe the **3** brand and proposition will be the most attractive in the 3G market.

The increasing awareness of 3G this year will also play an important role in growing our business. We expect other operators to increase their marketing of 3G as they begin to open new coverage areas and their 3G services develops.

With the awareness of 3G and **3** being raised, and our customer base increasing, we are well placed to continue our leadership in Australia's 3G market.

53% of our customers purchased content from Planet 3

Corporate Social Responsibility

At Hutchison, we understand that our stakeholders expect us to conduct our business in a way that not only meets our financial targets, but also recognises our responsibilities in our workplace, our community and the environment. We are committed to earning the respect and trust of our stakeholders.

Our workplace

Earlier in this report, we detailed the progress in improving our financial results, of which we are justly proud. However, we take equal pride in meeting the needs of our people in matters of health and safety. On page 19, we outline some of our initiatives in ensuring a safe working environment. We have also been active in assisting our staff to maintain healthy life standards. Initiatives include a programme called 'Well at Work', designed to encourage healthy living habits.

Our social performance

Hutchison no longer directly builds network infrastructure, but with our suppliers we appreciate community concerns on environmental, health or visual amenity about communications equipment, and we make strong efforts to accommodate these concerns when proposing new installations. Our networks are constructed and maintained within the relevant regulatory and safety standards and we have worked hard to balance everyday service requirements with the best possible infrastructure solutions.

Community assistance programmes

In 2005, our community assistance programmes included:

- A joint initiative with Australia's mobile phone operators to help drive donations towards the Asian tsunami and earthquake appeal allowed customers to donate through World Vision via SMS. Our customers generously donated over $167,000 via this initiative

Over 18,000 mobile broadband customers

- Hutchison took a lead role in setting up the tsunami appeal one-day cricket match in Melbourne in January 2005, and together with our Test cricket partner, Channel 9, we established the '**3** Mobile Run Chase', with Hutchison pledging $1,000 for every run scored with proceeds going to World Vision. The game raised over $15 million, of which Hutchison contributed $576,000
- Employee activities raised over $26,000 in donations for the World Vision Tsunami Appeal, which was matched by the Company, raising over $52,000 in total for the victims
- The Company made a donation of $10,000 to the Salvation Army in lieu of sending Company printed Christmas cards
- Support for the Melbourne Royal Children's Hospital, where the proceeds of the auctioning of the 'Orange Scooter' resulted in a donation of $2,850

Corporate Social Responsibility continued

Sponsorships

Hutchison is a major sponsor of Australian sport through **3**'s support of the Australian test cricket team nationally and Essendon Football Club in the Australian Football League.

While sponsorships of major sport are clearly designed to increase mass awareness of our **3** brand, our involvement has made a significant contribution in encouraging interest and potential participation in sport, with its inherent values of fair play and passion for excellence in the wider community. Along the way, the best of sporting performances have become synonymous with the **3** brand.

Sponsorship of cricket allowed the launch of an exclusive live mobile cricket TV channel through Channel 9 that resulted in more than 260,000 streams from **3** customers over the domestic cricket season.

3 remains the most recognised sponsor in cricket, with independent research showing that **3** receives over $1.3 million in exposure per day during the cricket season. **3**'s sponsorship of Essendon Football Club is ranked as the most valuable sponsorship across all football codes.

Environmental performance

Our environmental policy and management programme is designed to ensure that we comply with legal and statutory requirements, carefully manage environmental issues, and monitor and evaluate the environmental performance of staff, contractors and suppliers. We ensure education facilities are provided for employees to continually improve knowledge and skills in environmental issues and performance.

1,253 staff members

Our People

Hutchison is a highly dynamic organisation that strives to create an environment where employees feel truly valued, recognised for their contribution and challenged to grow both personally and professionally.

Our people have been, and will continue to be, a cornerstone of our operation and ongoing success.

We take pride in having created a Company of energetic, talented and, above all, enthusiastic people. Working for Hutchison requires commitment, dedication, determination and drive. We continue to challenge our employees to strive to new levels of achievement. As such, our employee benefits programme aims to reward innovation, flexibility and results.

Hutchison currently employs 1,253 employees across our **3**, **3** CDMA and **3** Paging businesses. We also value our commercial partnership with Ericsson, who manages our technical services operation and Stellar Call Centres, who deliver some of our customer care services.

As part of our joint venture operation with **3** UK, in Mumbai, India, 1,400 people are focused on providing customer care services to our customers in Australia. This is a high technology customer contact environment with a highly talented team of people.

Developing our team

The dynamic nature of our business demands the continued development of our employees. The range of e-learning courses available, as well as the face-to-face training solutions delivered by our team of dedicated trainers, provides our employees with the best training solutions possible.

The professional and cultural development programmes underway also underpin the long-term investment in our people to ensure they are prepared for the needs of the future.

A safe and healthy staff

At Hutchison, we maintain a safe working environment for the health, safety and welfare of our employees, contractors, visitors and members of the public who may be affected by our work. We focus on issues including compliance with legislation, accountability by managers and supervisors, identifying and managing hazards, high level maintenance of equipment and effective consultation with our people.

We are diligent in the provision of information, instruction, training and supervision necessary to ensure our employees, contractors and visitors can be sure of their safety, and we are dedicated to effective and comprehensive rehabilitation of any injured staff members.

This year we implemented continuous improvement initiatives, independent system reviews and positive performance indicators as part of our overall OHSIM system. Our senior management team has overall responsibility for guaranteeing an environmentally friendly workplace and encouraging the support and contribution of all its employees, contractors and suppliers.

Over the course of 2005, a total of 128.5 hours were lost due to injury or work related incidents.

Senior Management

Kevin Russell

Chief Executive Officer

Kevin Russell joined Hutchison in January 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 programmes 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.

Tanya Bowes

Director, Communications and Corporate Affairs

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

Nigel Dews

Director, Sales, Marketing and Product

Nigel Dews joined Hutchison in November 2003 as Director Sales, Marketing and Product. In this role Nigel leads sales, distribution and marketing across both consumer and business markets for the **3** business. Nigel is also responsible for the development of mobile content, products and services, and the supply of **3**'s 3G handsets. Prior to joining Hutchison, Nigel held senior management positions at John Fairfax Holdings Limited and before that senior consultancy roles at McKinsey & Company and the Reserve Bank of Australia.

David Dyson

Chief Financial Officer

David Dyson joined Hutchison in September 2002 from Hi3G Access AB, the owner of Hutchison's 3G licences in Sweden, Denmark and Norway, where he served as Deputy Chief Financial Officer. Prior to this, David spent three years with Hutchison International Limited, 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, 3 CDMA, 3 Paging and Information Services

Phil Wise joined Hutchison in July 2001 as Director 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 holds a broad range of experience gained from local and international product and consumer marketing, retail distribution and business management roles.

Michael Young

Director, Technology and Customer Services

Michael Young joined Hutchison in May 2001 as Director of IT and Billing and 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 holds over 20 years of IT experience in a broad cross-section of industries including professional services, manufacturing, telecommunications, broadcasting and retail.




Board of Directors

Fok Kin-ning, Canning

(Chairman) BA, DFM, ACA (Aus)

Fok Kin-ning, Canning, aged 54, has been an Executive Director since 1984 and Group Managing Director since 1993 of Hutchison Whampoa Limited ("HWL"), Director since 1992 and Chairman since 2002 of Hutchison Harbour Ring Limited ("HHR"), Chairman of Hutchison Telecommunications International Limited ("HTIL") since 2004, Executive Director since 1985 and Chairman since 2005 of Hongkong Electric Holdings Limited ("HKEH"), Chairman of Partner Communications Company Ltd. ("Partner") since 1998 and Hutchison Global Communications Holdings Limited ("HGCH") (which ceased to be a public listed company in July 2005) since 2003, Co-Chairman of Husky Energy Inc. ("Husky") since 2000, Deputy Chairman of Cheung Kong Infrastructure Holdings Limited ("CKIH") since 1997, and Director of Cheung Kong (Holdings) Limited ("CKH") since 1985 and Panva Gas Holdings Limited since 2002. He was previously a Director of Hanny Holdings Limited from 1992 to 2005 and Wing On Travel (Holdings) Limited from 2002 to 2004. Mr Fok was appointed as a Director on 8 February 1999.

Barry Roberts-Thomson

(Deputy Chairman)

Barry Roberts-Thomson, aged 56, was the Managing Director of Hutchison from its inception in 1989 until September 2001. In his capacity as Deputy Chairman and Executive Director, Mr Roberts-Thomson represents Hutchison in government relations and strategic projects. Mr Roberts-Thomson was appointed as a Director on 14 February 1989.

Chow Woo Mo Fong, Susan

(Director) BSc

Chow Woo Mo Fong, Susan, aged 52, has been an Executive Director since 1993 and Deputy Group Managing Director since 1998 of HWL, Executive Director of CKIH since 1997, HHR since 2001 and HGCH (which ceased to be a public listed company in July 2005) since 2003, Alternate Director since 1993 and Director since 1996 of HKEH, Director of Partner since 1998 and TOM Group Limited ("TOM") since 1999, and Alternate Director of HTIL since 2005 and TOM Online Inc. ("TOM Online") since 2003. She was previously a Director of HTIL from 2004 to 2005. She is a solicitor and holds a Bachelor's degree in Business Administration. Mrs Chow was appointed as a Director on 15 February 2006.

Justin H. Gardener

(Director) BEc, FCA

Justin H. Gardener, aged 69, is a director of a number of private and publicly listed companies including Austar United Communications Limited (appointed 1999). From 1961, and until his retirement in 1998, Mr Gardener held a variety of positions with Arthur Andersen, becoming a partner in 1972 and for the last 10 years in a management and supervisory role for Asia Pacific. Mr Gardener was appointed as a Director on 2 July 1999.

Lai Kai Ming, Dominic

(Director) BSc, MBA

Lai Kai Ming, Dominic, aged 52, has been an Executive Director of HWL since 2000, Executive Director since 1994 and Deputy Chairman since 2001 of HHR, Director since 2000 and Deputy Chairman since 2003 of HGCH (which ceased to be a public listed company in July 2005) and a Director of priceline.com Incorporated since 2001. He was previously a Director of Partner from 2003 to 2004. He has over 25 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration. Mr Lai was appointed as a Director on 19 May 2004.

Dennis Pok Man Lui

(Director) BSc

Dennis Pok Man Lui, aged 55, has been an Executive Director and Chief Executive Officer of HTIL since 2004, Director of Partner since 2004 and Executive Director of HGCH (which ceased to be a public listed company in July 2005) since 2004. Mr Lui was appointed as a Director on 4 May 2001 and resigned as a Director on 15 February 2006.

John Michael Scanlon

(Director)

John Michael Scanlon, aged 64, is a special venture partner to Clarity Partners LLP, a venture capital firm. From 1965 through to 1988 his career was with AT&T, primarily Bell Labs, rising to Group Vice President of AT&T. Mr Scanlon then went on to become President and General Manager of Motorola's Cellular Networks and Space Sector, founding CEO of Asia Global Crossing, CEO of Global Crossing and Chairman and CEO of PrimeCo. Mr Scanlon was appointed as a Director on 11 July 2005.

Frank John Sixt

(Director) MA, LLL

Frank John Sixt, aged 54, has been an Executive Director since 1991 and Group Finance Director since 1998 of HWL, Chairman of TOM since 1999 and TOM Online since 2003, Executive Director of CKIH since 1996, HKEH since 1998 and HGCH (which ceased to be a public listed company in July 2005) since 2004, and Director of CKH since 1991, HTIL since 2004, Husky since 2000 and Partner since 1998. Mr Sixt was appointed as a Director on 12 January 1998.

Corporate Governance

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

Board of Directors and its Committees

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

The Board's responsibilities include:

- Approving and monitoring the strategic planning process of Hutchison and reviewing and approving the long term goals to ensure that these strategic objectives are met;
- Monitoring the performance of management against these goals and objectives;
- Ensuring that there are adequate internal controls and ethical standards of behaviour adopted and met within Hutchison;
- Ensuring the integrity of Hutchison's financial reporting;
- Ensuring that the business risks facing Hutchison are identified and that appropriate monitoring and reporting controls are in place to manage these risks;
- Appointing the Chief Executive Officer, evaluating performance and determining the remuneration of senior executives and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning; and
- Delegating to the CEO 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. Other than Mr Roberts-Thomson, all the Directors, including the Chairman, Mr Fok, are non-executives.

The Board has adopted the definition of independence contained in the ASX best practice recommendations. In light of this definition, the Board considers that independent Directors are not substantial shareholders or officers of substantial shareholders, have not been employed as an executive of Hutchison or its majority shareholder nor are they associated with any significant supplier, customer or professional adviser of Hutchison. Further, an independent Director does not have any significant contractual relationship with Hutchison nor is there any business relationship which could materially interfere with a Director's ability to act in the best interest of the

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

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

Details of the Directors' experience is set out on pages 22 and 23.

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 forms part of the regular Board process when the Board conducts deliberations without representatives of management present at each Board meeting.

Committees

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

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

Audit Committee

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through review and supervision of Hutchison's financial reporting process and internal control system.

All members of the committee are non-executive Directors and the composition of the committee meets the requirements of the ASX Listing Rules. The Audit Committee has appropriate financial expertise and knowledge of the telecommunications industry. Details of the committee members' qualifications, expertise, experience and attendance at Audit Committee meetings are set out on pages 22, 23 and 30.

The Audit Committee considers the annual and interim financial statements of the Company and its subsidiaries and any other major financial statements prior to approval by the Board, and reviews standards of internal control and financial reporting within Hutchison. The Audit Committee is also responsible for overview of the relationship between Hutchison and its external auditors, including periodic review of performance and the terms of appointment of the auditors.

This committee considers any matters relating to the financial affairs of Hutchison and its subsidiaries and any other matter referred to it by the Board.

The main responsibilities delegated to the committee are to:

- Consider and recommend to the Board the appointment and remuneration of the Company's external auditors and to determine with the external auditors the nature and scope of the audit or review and approve audit or review plans;
- Evaluate the performance of the external auditors, including assessment of the auditor's independence taking into account factors which may impair the auditor's judgement in audit matters related to Hutchison;
- Review the interim and annual accounts of the Company before their submission to the Board;
- Ensure Hutchison's practices and procedures with respect to related party transactions are adequate for compliance with the relevant legal and stock exchange requirements;
- Review the risk management practices and oversee the implementation and effectiveness of the risk management system;
- Review the internal audit programmes, the adequacy of resource of the internal audit function and the appointment and replacement of the senior internal audit officer;
- Review with management and the external auditors the presentation and impact of significant risks and uncertainties associated with the business of Hutchison and their effects on the financial statements of Hutchison; and
- Ensure corporate compliance with applicable legislation.

External auditors

The performance of the external auditors is reviewed annually and applications for tender of external audit services will be requested as deemed appropriate. PricewaterhouseCoopers were appointed as the external auditors in 1998. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies every five years, and in accordance with that policy the current audit engagement partner was introduced for the year ended 31 December 2002.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 27 to the financial statements.

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

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

Governance, Nomination and Compensation Committee

The committee comprises non-executive Directors and is chaired by the Chairman of the Board. Details of the committee members' qualifications, expertise, experience and attendance at compensation committee meetings are set out on pages 22, 23, 29 and 30.

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 Remuneration Report of the Directors' Report and in note 26 to the financial statements. 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. Executives are also eligible to participate in the employee share schemes. Information relating to these schemes is set out in the Remuneration report and note 37 to the financial statements. Details of the compensation philosophy and practice of the Company are set out in the Directors' Report.

The remuneration of Directors who are not executives of either the Company or other companies within the Hutchison Whampoa Group comprises only a fixed component and is not performance based. Directors who are executives of either the Company or other companies within the Hutchison Whampoa Group do not receive remuneration for their services as Directors.

Governance and nomination responsibilities

Related to Board performance and evaluation

- To periodically assess and provide recommendations to the Chairman of the Board on the effectiveness of the Board of Directors as a whole, the committees of the Board, the contribution of individual Directors, and assessment of Directors;
- To review the Company's investor relations and public relations activities to ensure that procedures are in place for the effective monitoring of the shareholder base, receipt of shareholder feedback and response to shareholder concerns;
- To oversee the maintenance of an induction and education 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; and
- To review all related party transactions to ensure they reflect market practice and are in the best interests of Hutchison.

Related to the Board of Directors

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

Related to Committees of the Board of Directors

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

Business risk

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

Ethical standards

As the Company grows, the need to ensure that a strong ethical culture within Hutchison has led 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 forms part of the performance appraisal of senior employees and sales managers. Details of this code are available on the Company's website.

Directors' and senior executives' dealings in HTAL shares

The Company requires that:

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

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

Directors and senior executives are prohibited from trading in HTAL shares if the Director or officer is in possession of price sensitive information or would be trading for a short term gain. All managers within Hutchison have also been advised of their obligations in regard to price sensitive information.

Directors and senior executives are also aware of their obligations to ensure that they do not communicate price sensitive information to any other person who is likely to buy or sell HTAL shares or communicate that information to another party.

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

Continuous disclosure and shareholder communication

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

The Company Secretary resident in Australia has been appointed as the person responsible for communications with the Australian Stock Exchange.

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

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

Related party transactions

Hutchison draws great strength from its relationship with HWL and other companies in the HWL Group in relation to both its financial support, management expertise, joint procurement programs and shared research and development costs. The Company also has a strategic alliance with Telecom Corporation of New Zealand Limited and HWL for its 3G business in Australia. In 2004, the Company's subsidiary, Hutchison 3G Australia Pty Limited, entered into a 50:50 partnership with Telstra Corporation Limited for the joint ownership, operation and development of the 3G radio access network.

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

Directors' Report

The Directors are pleased to present their report on the consolidated entity ("Hutchison") consisting of Hutchison Telecommunications (Australia) Limited ("HTAL" or "Company") and the entities it controlled at the end of or during the year ended 31 December 2005.

Principal activities

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

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

Dividends

No dividend was declared or paid during the year.

Review of operations

Comments on the operations of Hutchison, results of those operations, the Company's business strategies and its prospects for future years are contained in pages 10 to 15 of this report. Details of the financial position of the entity are contained in pages 38 to 73 of this report.

Matters subsequent to the end of the financial year

On 1 February 2006, the Company announced it had joined its mobile services, branded Orange and **3**, under the single brand **3**, and plans to upgrade CDMA customers from its CDMA network to its 3G network.

The timetable for closure of the CDMA network is still not determined however exclusive upgrade options will be offered to all existing CDMA customers including attractive plans and a subsidised handset and as a result the Company anticipates a significant number of customers may migrate to **3** in 2006. During 2006, following a review of the rate of migration, the Directors will further consider whether the Company should continue to operate the CDMA network.

The impact of any decision to close the network will be to amend the useful life of the network assets from three years to the expected closure date which could have a material increase in the depreciation and amortisation charge for the Company. An estimate of the amount of the increased charge cannot be made as this is dependent on the outcome of the Directors' review and the closure date.

On 7 March 2005 Hutchison secured $1 billion of funding from a related party entity, Hutchison OMF Limited. The facilities have a repayment date of December 2007.

Except for the above, no other matter or circumstance has arisen since 31 December 2005 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

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. HTAL and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes but have elected not to be taxed as a single entity from 1 January 2005.

Other than as set out in the Review of Operations on pages 10 to 15 of this report, further information on business strategies and the future prospects of the Company have not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to Hutchison.

Environmental regulation

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

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

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

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

Directors

The following persons were Directors of HTAL during the whole of the year ended 31 December 2005 and up to the date of this report:

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

Mr Holger KLUGE retired as a Director on 31 August 2005.

Mr John Michael SCANLON was appointed as a Director on 11 July 2005 and continues in office at the date of this report.

Mr Dennis Pok Man LUI was a Director during the whole of the year ended 31 December 2005 and resigned as a Director on 15 February 2006.

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

Information on the Directors is set out on pages 22 and 23.

Director	Other Responsibilities	Particulars of Directors' Interests in shares, convertible notes and options of HTAL		
		Ordinary Shares	Convertible Notes	Options
Fok Kin-ning, Canning	Non-executive Chairman, Chairman of Governance, Nomination & Compensation Committee	5,100,000*	1,474,001^	-
Barry Roberts-Thomson	Deputy Chairman	83,961,247**	-	-
Chow Woo Mo Fong, Susan (appointed 15 February 2006)	Member of Governance, Nomination & Compensation Committee	-	-	-
Justin H. Gardener	Member of Governance, Nomination & Compensation Committee and Chairman of Audit Committee	102,858	57,430	-
Lai Kai Ming, Dominic	-	-	-	-
Dennis Pok Man Lui (resigned 15 February 2006)	Member of Governance, Nomination & Compensation Committee	-	-	-
John Michael Scanlon (appointed 11 July 2005)	Non-executive Director, Member of Audit Committee	-	-	-
Frank John Sixt	Non-executive Director Member of Audit Committee	1,000,000	-	-

* Direct holding of 100,000 shares only

** Direct holding of 2,500 shares only

^ Direct holding of 134,000 convertible notes only

Note:

Fok Kin-ning, Canning, holds a relevant interest in 4,310,875 shares in HWL, a related body corporate of HTAL; 5,000,000 shares in HHR, a related body corporate of HTAL; a relevant interest in a nominal amount of Eur12,600,000 of 4.125% Notes due 2015 issued by Hutchison Whampoa Finance (05) Limited, a related body corporate of HTAL; 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 HTAL; 225,000 American Depository Shares (each representing one ordinary share) of Partner, a related body corporate of HTAL.

Chow Woo Mo Fong, Susan holds a relevant interest in 150,000 shares in HWL.

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

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

Meetings of Directors

The number of meetings of HTAL's Board of Directors and each of the Board committees held during the year ended 31 December 2005, and the number of meetings attended by each Director were:

	Board		Audit Committee		Governance, Nomination and Compensation Committee	
	Meetings held during period as director	Meetings attended	Meetings held during period as member of Committee	Meetings attended	Meetings held during period as member of Committee	Meetings Attended
Fok Kin-ning, Canning	15	15	N/A	N/A	2	2
Barry Roberts-Thomson	15	15	N/A	N/A	N/A	N/A
Dennis Pok Man Lui	15	9	N/A	N/A	2	1
Lai Kai Ming, Dominic	15	14	N/A	N/A	N/A	N/A
Justin H. Gardener	15	15	6	6	2	2
Holger Kluge (retired 31 August 2005)	11	11	3	3	1	1
John Michael Scanlon (appointed 11 July 2005)	6	6	3	3	N/A	N/A
Frank John Sixt	15	13	6	6	N/A	N/A

Retirement, election and continuation in office of Directors

John Michael Scanlon, having been appointed since the last annual general meeting, in accordance with the Constitution, retires as a Director at the annual general meeting and offers himself for re-election.

Chow Woo Mo Fong, Susan, having been appointed since the last annual general meeting, in accordance with the Constitution, retires as a Director at the annual general meeting and offers herself for re-election.

Justin Gardener is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Company secretaries

Edith SHIH

BSE, MA, MA, EdM, FCS, FCIS

Ms Shih has over 8 years of experience as company secretary in listed companies and has been a Company Secretary of the Company since 1999. She has been the Head Group General Counsel of HWL since 1993 and its Company Secretary since 1997. She is also an Executive Director and the Company Secretary of HHR (a company whose shares are listed on The Stock Exchange of Hong Kong Limited), Company Secretary of Partner (a company whose shares are listed on the Tel-Aviv Stock Exchange and traded on the London Stock Exchange and the US Nasdaq). In addition, she is also a Director and Company Secretary of various HWL group companies. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines, a Master of Arts degree and a Master of Education degree from Columbia University, New York. She is qualified to practise law in Hong Kong, England and Wales and Victoria, Australia; and is also a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Louise SEXTON

BA, LLM, MBA(Exec)

Ms Sexton has over 12 years' experience as company secretary in listed companies and has been a Company Secretary of the Company since 1999. She is also General Counsel of the Company. Ms Sexton has practiced as a solicitor since 1983 with experience in government, private practice and in-house corporate practice.

Remuneration report

Compensation philosophy and practice

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

Principles used to determine the nature and amount of remuneration

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

Directors' fees

The remuneration of the non-executive and independent Directors, J Gardener, H Kluge (until 31 August 2005) and J Scanlon (from 11 July 2005), comprised of a fixed amount only and was not performance based. The non-executive and non-independent Directors, C Fok, F Sixt, D Lai and D Lui, did not receive any remuneration for their services as Directors. The executive and non-independent Director, B Roberts-Thomson, did not receive any remuneration for his service as a Director.

Retirement allowances for Directors

No retirement allowances are payable to non-executive Directors.

Key management personnel

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

Name	Position	Employer
K Russell	Chief Executive Officer	HTAL
N Dews	Director, Sales, Marketing and Product	HTAL
D Dyson	Chief Financial Officer	HTAL
P Wise	Director, **3** CDMA, **3** Paging and Information Services	HTAL
M Young	Director, Technology and Customer Services	HTAL

All of the above were also key management personnel during the year ended 31 December 2004.

Key management personnel pay

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

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

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

Base pay

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

Benefits

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

Retirement benefits

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

Short-term incentives

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

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

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

HTAL Executive Option Plan

Details on the HTAL Executive Option plan are set out below.

Details of remuneration

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

Directors of HTAL

2005						
	Short-term			Post - Employment	Share-based	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Options $	Total $
C Fok	-	-	-	-	-	-
B Roberts-Thomson	400,000	-	50,930	11,862	-	462,792
J Gardener	50,000	-	-	4,500	-	54,500
H Kluge*	34,083	-	-	2,250	-	36,333
D Lai	-	-	-	-	-	-
D Lui	-	-	-	-	-	-
J Scanlon*	25,000	-	-	2,250	-	27,250
F Sixt	-	-	-	-	-	-
Total	509,083	-	50,930	20,862	-	580,875

* Mr Scanlon was appointed as a Director on 11 July 2005. Mr Kluge retired as a Director on 31 August 2005.

Total remuneration of Directors for the year ended 31 December 2004 is set out below.

2004						
	Short-term			Post - Employment	Share-based	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Options $	Total $
C Fok	-	-	-	-	-	-
D Lui	-	-	-	-	-	-
B Roberts-Thomson	400,000	-	52,792	11,293	-	464,085
T Chan*	-	-	-	-	-	-
J Gardener	50,000	-	-	4,500	-	54,500
H Kluge	50,000	-	-	4,500	-	54,500
D Lai*	-	-	-	-	-	-
F Sixt	-	-	-	-	-	-
Total	500,000	-	52,792	20,293	-	573,085

* Mr Chan resigned as a Director on 10 May 2004 and Mr Lai was appointed as a Director on 19 May 2004.

Key management personnel of the Company

2005	Short-term			Post-Employment	Share-based		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Number of options issued during the year	Options $	Total $
K Russell	831,701	685,000	60,517	11,862	-	359,866	1,948,946
N Dews	480,644	153,821	5,053	11,862	-	125,953	777,333
D Dyson	435,278	167,336	5,053	11,862	-	113,957	733,486
P Wise	448,085	132,155	5,053	11,862	-	110,359	707,514
M Young	485,345	161,502	5,053	11,862	-	125,953	789,715
Total	2,681,053	1,299,814	80,729	59,310	-	836,088	4,956,994

Total remuneration of key management personnel for the year ended 31 December 2004 is set out below.

2004	Short-term			Post-Employment	Share-based		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Number of options issued during the year	Options $	Total $
K Russell	831,707	650,000	62,072	11,293	3,000,000	184,068	1,739,140
N Dews	453,278	142,500	5,834	11,293	1,050,000	64,424	677,329
D Dyson	398,998	209,170	5,834	11,293	950,000	58,288	683,583
P Wise	432,540	127,500	5,834	11,293	920,000	56,447	633,614
M Young	468,540	175,000	5,834	11,293	1,050,000	64,424	725,091
Total	2,585,063	1,304,170	85,408	56,465	6,970,000	427,651	4,458,757

All options were issued to the above key management personnel on 23 July 2004 and all options will expire on 10 December 2010. The exercise price of the options was $0.45 and the value per option at grant date was $0.25. The options are exercisable, subject to meeting performance hurdles on the following dates:

- 25% after 1 September 2005
- 50% after 1 September 2006
- 25% after 1 September 2007

Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses. A target bonus is set for each key management personnel and the amount paid can be lower or higher than the target. The payment of any bonus is at the absolute discretion of the Board. The bonus is based on both company and personal performance goals. The key management personnel, when eligible, can participate in the HTAL Executive Option Plan. The Chief Executive Officer is provided with a non-cash benefit in the provision of a motor vehicle and all the key management personnel are provided with car parking. The service agreements for all key management personnel are for no fixed term and upon early termination, other than for gross misconduct, K Russell, N Dews, D Dyson are entitled to 3 months base salary, M Young 4 months base salary and P Wise 12 months salary. Remuneration is reviewed annually by the Governance, Nomination and Compensation Committee.

Share-based compensation

Options are granted to Directors and executives under the HTAL Executive Option Plan which was approved by the Board on 3 July 1999. All permanent full-time, permanent part-time and casual employees who have been selected by the Board to receive an invitation or who have been approved for participation in the plan are eligible to participate in the plan.

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

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

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

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

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

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

Options holdings

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

Key management personnel of the Company

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
K Russell	3,000,000	-	-	-	3,000,000	-
N Dews	1,050,000	-	-	-	1,050,000	-
D Dyson	950,000	-	-	-	950,000	-
P Wise	920,000	-	-	-	920,000	-
M Young	1,050,000	-	-	-	1,050,000	-
	6,970,000	-	-	-	6,970,000	-

No Directors were issued options during the year or hold options over the ordinary shares of the Company.

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

Share holdings

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

Directors of HTAL

Ordinary shares

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
C Fok	1,100,000	-	4,000,000	5,100,000*
B Roberts-Thomson	84,961,247	-	(1,000,000)	83,961,247**
J Gardener	102,858	-	-	102,858
D Lai	-	-	-	-
D Lui	-	-	-	-
J Scanlon	-	-	-	-
F Sixt	-	-	1,000,000	1,000,000

* Direct holding of 100,000 shares only

** Direct holding of 2,500 shares only

Key management personnel of the Company

Ordinary shares

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
K Russell	1,100,000	-	-	1,100,000
N Dews	70,461	-	-	70,461
D Dyson	1,026,913	-	3,092	1,030,005
P Wise	410,000	-	-	410,000
M Young	-	-	-	-

Shares under option

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

Grant Date	Expiry Date	Issue price of shares	Number
18 August 2001	17 August 2006	$0.54	70,000
23 July 2004	31 December 2010	$0.45	13,620,000
30 July 2004	31 December 2010	$0.46	50,000
20 August 2004	31 December 2010	$0.40	100,000
10 December 2004	31 December 2010	$0.36	450,000
23 December 2004	31 December 2010	$0.34	150,000
3 June 2005	31 December 2010	$0.27	50,000
1 July 2005	31 December 2010	$0.27	200,000
5 August 2005	31 December 2010	$0.27	200,000

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

Shares issued on the exercise of options

No ordinary shares of HTAL were issued during the year ended 31 December 2005 or up to the date of this report on the exercise of options granted under the HTAL Executive Option Plan.

Loans to Directors and key management personnel

There were no loans made to the Directors or to the key management personnel of the Company, including their personally related entities during the years ended 31 December 2005 and 31 December 2004.

Other transactions with Directors and key management personnel

There were no other transactions with Directors and the key management personnel for the years ended 31 December 2005 and 31 December 2004.

Non-audit services

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

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

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

Details of the amounts paid to the PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in note 27, Remuneration of auditors, on page 60 of this report.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

Directors' and officers' liability insurance

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

Proceedings on behalf of HTAL

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

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

Rounding of amounts to nearest thousand dollars

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 Act 2001*.

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

Fok Kin-ning, Canning
Chairman

Frank Sixt
Director

7 March 2006

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Auditors' Independence Declaration

As lead auditor for the audit of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2005, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

PricewaterhouseCoopers

DJ Whale
Partner

Sydney
7 March 2006

Financial Report

For the year ended 31 December 2005

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Income Statements

For the year ended 31 December 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Revenue from continuing operations	2	**915,909**	772,997	**322,071**	373,923
Cost of interconnection and variable content costs		**(193,068)**	(171,072)	**(59,846)**	(80,784)
Other direct costs of provision of telecommunication services and goods		**(366,520)**	(434,612)	**(105,783)**	(160,377)
Cost of handsets sold		**(285,136)**	(356,711)	**(35,220)**	(63,748)
Employment costs		**(102,588)**	(105,124)	**(17,170)**	(23,559)
Advertising and promotion expenses		**(69,295)**	(87,758)	**(13,222)**	(20,217)
Other operating expenses		**(97,016)**	(81,774)	**(22,234)**	(31,447)
Other income	3	**17,601**	53,762	**17**	4,372
Capitalisation of customer acquisition cost		**14,511**	34,483	**4,742**	30,509
Depreciation expense	4	**(151,189)**	(175,307)	**(45,583)**	(50,030)
Amortisation expense	4	**(108,943)**	(100,918)	**(31,956)**	(24,394)
Finance cost - net		**(227,109)**	(174,829)	**(99,736)**	(88,046)
Loss before income tax		**(652,843)**	(826,863)	**(103,920)**	(133,798)
Income tax expense	5	**-**	(75)	**-**	-
Loss for the year		**(652,843)**	(826,938)	**(103,920)**	(133,798)
Net loss attributable to minority interest		**105,548**	136,859	**-**	-
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited	23	**(547,295)**	(690,079)	**(103,920)**	(133,798)

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	36	**(80.65)**	(101.69)
Diluted earnings per share	36	**(80.65)**	(101.69)
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	36	**(80.65)**	(101.69)
Diluted earnings per share	36	**(80.65)**	(101.69)

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

Balance Sheets
As at 31 December 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	6	**120,450**	72,700	**12,750**	21,854
Receivables	7	**175,251**	477,790	**56,731**	50,903
Inventories	8	**68,950**	108,530	**290**	9,728
Other	9	**21,843**	58,996	**7,041**	12,556
Total Current Assets		**386,494**	718,016	**76,812**	95,041
Non-Current Assets					
Receivables	10	**49,840**	124,436	**127,922**	2,913
Investment accounted for using the equity method	11	**-**	-	**-**	-
Other financial assets	12	**-**	-	**1,318,776**	1,318,776
Property, plant and equipment	13	**1,055,948**	999,730	**128,116**	166,421
Intangible assets	14	**816,563**	872,201	**87,989**	109,158
Other	15	**3,934**	40,034	**1,921**	7,669
Total Non-Current Assets		**1,926,285**	2,036,401	**1,664,724**	1,604,937
Total Assets		**2,312,779**	2,754,417	**1,741,536**	1,699,978
LIABILITIES					
Current Liabilities					
Payables	16	**257,433**	301,302	**58,073**	78,469
Interest bearing liabilities	17	**427,577**	202,731	**424,580**	-
Provisions	18	**876**	1,369	**876**	1,369
Other	19	**8,787**	6,399	**5,237**	10,735
Total Current Liabilities		**694,673**	511,801	**488,766**	90,573
Non-Current Liabilities					
Interest bearing liabilities	20	**2,688,661**	2,660,487	**992,111**	1,247,009
Provisions	21	**1,292**	799	**1,292**	799
Total Non-Current Liabilities		**2,689,953**	2,661,286	**993,403**	1,247,808
Total Liabilities		**3,384,626**	3,173,087	**1,482,169**	1,338,381
Net (Liabilities) / Assets		**(1,071,847)**	(418,670)	**259,367**	361,597
EQUITY					
Contributed equity	22	**1,031,244**	1,031,244	**1,031,244**	1,031,244
Reserves	23	**56,853**	55,620	**1,966**	733
Accumulated losses	23	**(2,159,944)**	(1,611,371)	**(773,843)**	(670,380)
Parent entity interest		**(1,071,847)**	(524,507)	**259,367**	361,597
Minority interest	24	**-**	105,837	**-**	-
Total Equity		**(1,071,847)**	(418,670)	**259,367**	361,597

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

Statements of Changes in Equity

For the year ended 31 December 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Total equity at the beginning of the financial year		**(418,670)**	407,535	**361,597**	494,662
Adjustments on adoption of AASB 132 and AASB 139		**(1,567)**	-	**457**	-
Net income recognised directly in equity		**(1,567)**	-	**457**	-
Loss for the year		**(652,843)**	(826,938)	**(103,920)**	(133,798)
Total recognised income and expense for the year		**(654,410)**	(826,938)	**(103,463)**	(133,798)
Transactions with equity holders in their capacity as equity holders		**-**	-	**-**	-
Employee share options	23	**1,233**	733	**1,233**	733
Total equity at the end of the financial year		**(1,071,847)**	(418,670)	**259,367**	361,597
Total recognised income and expense for the year is attributable to:					
Members of Hutchison Telecommunications (Australia) Limited		**(548,573)**	(690,079)	**(103,463)**	(133,798)
Minority interest		**(105,837)**	(136,859)	**-**	-
		(654,410)	(826,938)	**(103,463)**	(133,798)

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

Cash Flow Statements

For the year ended 31 December 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of GST)		**984,816**	721,140	**369,963**	398,793
Payments to suppliers and employees (inclusive of GST)		**(1,198,315)**	(1,265,984)	**(291,690)**	(330,548)
		(213,499)	(544,844)	**78,273**	68,245
Interest received		**6,272**	2,915	**7,867**	514
Rental income		**2,565**	2,034	**527**	3,919
Finance cost paid		**(222,244)**	(156,749)	**(95,783)**	(85,416)
Net cash (outflow) from operating activities	34	**(426,906)**	(696,644)	**(9,116)**	(12,738)
Cash Flows from Investing Activities					
Proceeds from sale of radio access network infrastructure		**424,603**	22,500	**-**	-
Payments for property, plant and equipment		**(195,985)**	(307,447)	**(12,381)**	(33,320)
Proceeds from disposal of other non-current assets		**31**	891	**17**	891
Loans to subsidiaries		**-**	-	**(150,240)**	-
Repayment of loans to subsidiaries		**-**	-	**(32,162)**	-
Repayment of loans by subsidiaries		**-**	-	**-**	46,738
Payments for intangible assets		**(14,511)**	(34,483)	**(4,742)**	(54,981)
Net cash inflow / (outflow) from investing activities		**214,138**	(318,539)	**(199,508)**	(40,672)
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		**463,287**	1,435,832	**199,520**	64,912
Repayment of interest bearing liabilities		**(200,000)**	(388,000)	**-**	-
Repayment of finance lease		**(2,769)**	(2,731)	**-**	-
Net cash inflow from financing activities		**260,518**	1,045,101	**199,520**	64,912
Net Increase / (Decrease) in cash and cash equivalents		**47,750**	29,918	**(9,104)**	11,502
Cash and cash equivalents at 1 January		**72,700**	42,782	**21,854**	10,352
Cash and cash equivalents at 31 December		**120,450**	72,700	**12,750**	21,854
Non-cash investing and financing activities	35				

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

Notes to the Financial Statements

For the year ended 31 December 2005

1 Summary of significant accounting policies

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

a) Basis of preparation

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

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 124 *Related Party Disclosures*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Hutchison Telecommunications (Australia) Limited financial statements to be prepared in accordance with AIFRS. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Hutchison Telecommunications (Australia) Limited, until 31 December 2004, had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Hutchison Telecommunications (Australia) Limited 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2004 were restated to reflect these adjustments. The Consolidated Entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Consolidated Entity's equity and its net income are given in note 40.

Historical cost convention

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

Going concern

At 31 December 2005, the Consolidated Entity had a deficiency of capital and reserves of $1,071,847,000 (31 December 2004: $418,670,000). The Consolidated Entity has also experienced operating losses and negative cash flows from operating activities during the financial year ended on that date. As at 7 March 2006, the Consolidated Entity had the following debt and debt facility balances.

Lender/Facility	Facility Amount $'000	Drawn Amount $'000	Undrawn Amount $'000	Repayment Date	HWL Funded or Guaranteed
Fixed Medium Term Notes	425,000	425,000	-	November 2006	Yes
Convertible Notes	600,176	600,176	-	July 2007	No*
Hutchison Communications (Australia) Pty Ltd	196,000	196,000	-	December 2007	Yes
Hutchison OMF Limited	1,000,000	66,000	934,000	December 2007	Yes
Term Facility	200,000	200,000	-	February 2008	Yes
Term facility	100,000	100,000	-	December 2008	Yes
Syndicated Term Facility	1,500,000	1,500,000	-	August 2009	Yes
Term facility	100,000	100,000	-	December 2010	Yes
Total	**4,121,176**	**3,187,176**	**934,000**		

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

The undrawn facilities of $934,000,000 as at 7 March 2006 exceed the Consolidated Entity's expected cash flow requirements for the 12 month period to 7 March 2007. Under existing agreements between Hutchison Telecommunications (Australia) Limited, Hutchison Whampoa Ltd ("HWL") and Telecom Corporation of New Zealand ("TCNZ"), HWL committed to ensuring that the Company has access to funding up until 31 December 2007. On this basis, and on the facilities available, the Directors believe that not withstanding the shortfall in net assets it is appropriate to prepare the financial report on a going concern basis.

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Hutchison Telecommunications (Australia) Limited ("Company" or "Parent Entity") as at 31 December 2005 and the results of all subsidiaries for the year then ended. Hutchison Telecommunications (Australia) Limited and its subsidiaries together are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer to note 1(f)).

The effects of all transactions between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in joint ventures are accounted for as set out in note 1(g).

c) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Hutchison Telecommunications (Australia) Limited's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

i) Sale of handsets

Revenue from sale of handsets is recognised at the date of despatch of goods, pursuant to the signing of the customer's contract and when all the associated risks have passed to the customer.

ii) Telecommunication services

Revenue from telecommunication services is recognised when the service has been provided.

e) Income tax

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

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

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

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

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

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

f) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

g) Joint Ventures

i) Jointly controlled entity

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

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

ii) Jointly controlled asset

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

h) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

It is the Consolidated Entity's policy to treat our Australian telecommunications network as a single cash generating unit. We consider that, in generating cash inflows, the delivery of our mobile products and services is dependent on one common core network, one support system, one network operation team and one management team.

i) Cash and cash equivalents

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

j) Trade receivables

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

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

k) Inventories

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

l) Derivatives

From 1 January 2004 to 31 December 2004

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Consolidated Entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 31 December 2004.

Adjustments on transition date: 1 January 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 January 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 January 2005

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

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

i) Fair value hedge

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

ii) Cash flow hedge

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

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

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

m) Fair value estimation

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

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

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

n) Property, plant and equipment

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

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

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write off the depreciable amount of each item of property, plant and equipment over its expected useful life to the Consolidated Entity. Assets are depreciated from the date they are brought into commercial service, or in respect of internally constructed assets from the time the asset is completed and held ready for use. The expected useful lives are as follows:

Buildings	40 years
Computer equipment	4 to 10 years
Furniture, fittings and office equipment	4 to 7 years
Network equipment	3 to 20 years

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

The depreciable amount of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Consolidated Entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 4 - 20 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

o) Leases

Leases of property, plant and equipment where the Consolidated Entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leased assets held at reporting date are being amortised over four years.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

p) Intangible assets

i) Spectrum licences and capitalised development costs

Costs associated with acquiring spectrum licences are capitalised. The amortisation of capitalised development costs and the spectrum licences commenced upon the commercial readiness of the network. The spectrum licences and development costs are amortised on a straight-line basis over the periods of their expected benefit, being not more than the 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(h)).

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

ii) Customer acquisition cost

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

iii) Transmission rights

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

q) Payables

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

r) Interest bearing liabilities

From 1 January 2004 to 31 December 2004

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Consolidated Entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 31 December 2004.

Adjustments on transition date: 1 January 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that interest bearing liabilities are measured at amortised cost using the effective interest method. At the date of transition (1 January 2005) changes to carrying amounts are taken to retained earnings.

From 1 January 2005

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

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

s) Borrowing costs

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

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

t) Employee benefits

i) Wages and salaries, and annual leave

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

ii) Long service leave

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

iii) Bonus plan

A liability for employee benefits in the form of 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) Share-based payments

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

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

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

Shares options granted after 7 November 2002 and vested after 1 January 2005

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

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

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

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

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

u) Contributed equity

Ordinary shares are classified as equity.

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

v) 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.

w) Rounding of amounts to nearest thousand dollars

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

2 Revenue

	2005 $'000	2004 $'000	2005 $'000	2004 $'000
From continuing operations				
Services	**758,201**	523,148	**280,203**	277,537
Sale of handsets	**149,122**	244,780	**33,495**	91,922
	907,323	767,928	**313,698**	369,459
Other revenue				
Interest	**6,021**	3,035	**7,846**	545
Rental income	**2,565**	2,034	**527**	3,919
	8,586	5,069	**8,373**	4,464
	915,909	772,997	**322,071**	373,923

3 Other income

	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Net gain on sale of radio access network infrastructure (refer below)	**17,069**	40,335	**-**	-
Net gain on disposal of other non-current assets	**31**	891	**17**	891
Net foreign exchange gains	**501**	12,536	**-**	3,481
	17,601	53,762	**17**	4,372
Sale of property, plant and equipment				
Proceeds on sale of radio access network infrastructure	**47,498**	386,869	**-**	-
Less: Carrying value of radio access network infrastructure sold	**(30,429)**	(330,533)	**-**	-
Taxes, duties, professional fees and other related transaction costs	**-**	(16,001)	**-**	-
Net gain on sale of radio access network infrastructure	**17,069**	40,335	**-**	-

In December 2004, Hutchison 3G Australia Pty Limited sold 50% of its radio access network infrastructure to Telstra OnAir Holdings Pty Limited. The full sale price was $447,103,000. The proceeds of $47,498,000 (2004: $386,869,000) recognised in revenue reflects the stage of completion of the assets. Under the arrangement, Hutchison 3G Australia Pty Limited is committed to provide further assets, details of which are disclosed in note 32. The contingent revenue associated with the supply of these assets is approximately $1,587,000 and will be recognised in accordance with the stage of completion of the assets.

	$'000
Sales price	**447,103**
Contingent revenue	**(1,587)**
Discount on monetisation of receivable	**(11,149)**
Proceeds recognised in revenue	**434,367**

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000

4 Expenses

Loss before income tax includes the following specific expenses:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Finance cost - net				
Interest and finance charges paid / payable	227,109	174,829	99,736	88,046
Finance cost expensed	227,109	174,829	99,736	88,046
Depreciation				
Buildings	33	33	-	-
Computer equipment	65,000	57,182	7,371	10,190
Computer equipment under finance lease	1,454	1,867	-	-
Fixtures, fittings and office equipment	10,473	10,758	4,192	4,295
Network equipment	53,402	101,186	34,020	35,545
Network equipment - jointly controlled assets	20,062	-	-	-
Assets under construction	765	4,281	-	-
Total depreciation	151,189	175,307	45,583	50,030
Amortisation				
Capitalised development costs	4,970	5,789	4,742	4,742
Spectrum licence	75,034	75,034	5,185	432
Transmission capacity	3,063	-	477	-
Customer acquisition cost	25,876	20,095	21,552	19,220
Total amortisation	108,943	100,918	31,956	24,394
Total amortisation and depreciation	260,132	276,225	77,539	74,424
Rental expense relating to operating leases				
Lease payments	33,288	77,457	14,780	14,050
Total rental expense relating to operating leases	33,288	77,457	14,780	14,050
Defined contribution superannuation expense	6,226	6,609	1,253	1,509
Bad debts written off	20,259	10,248	4,681	3,407
Provision for doubtful debts	4,818	5,820	(627)	701
Total bad and doubtful debts	25,077	16,068	4,054	4,108

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000

5 Income tax expense

a) Income tax expense

Current tax	-	(75)	-	-
Deferred tax	-	-	-	-
Income tax expense	-	(75)	-	-

b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from operations before income tax expense	(652,843)	(826,938)	(103,920)	(133,798)
Tax at the Australian tax rate of 30% (2004: 30%)	(195,853)	(248,081)	(31,176)	(40,139)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	102	44	9	3
Interest not deductible	6,600	-	3,757	-
R&D tax concession claim (25%)	(543)	(826)	-	-
Unrecognised tax losses	189,694	248,788	27,410	40,136
Income tax expense	-	(75)	-	-

c) Tax losses

Unused tax losses for which no deferred tax assets has been recognised	2,839,980	2,206,721	678,697	594,973
Potential tax benefit @ 30%	851,994	662,016	203,609	178,492

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

6 Current assets - Cash and cash equivalents

Cash at bank and in hand	42,450	52,200	9,750	21,854
Short term deposits	78,000	20,500	3,000	-
	120,450	72,700	12,750	21,854

Restrictions on cash at bank

At 31 December 2005 cash at bank includes collateral for bank guarantees $32,325,000 (2004: $32,325,000) (note 28).

Short term deposits

At 31 December 2005 there are $78,000,000 in short term deposits maturing on 1 January 2006 (2004: $20,500,000). The fixed interest rate is 5.5% p.a. (2004: 5.25% p.a.).

Liquidity risk

Liquidity risk is managed through maintaining sufficient cash and available committed credit facilities

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

7 Current assets - Receivables

	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Trade debtors	**194,984**	183,088	**39,458**	56,623
Less: Provision for doubtful debts	**(19,991)**	(13,536)	**(6,261)**	(5,768)
	174,993	169,552	**33,197**	50,855
Other debtors	**258**	308,238	**27**	48
Receivable from subsidiary	**-**	-	**23,507**	-
	175,251	477,790	**56,731**	50,903

Other debtors

In 2004, included in other debtors was a $307,728,000 receivable including GST of $44,710,000, for the sale of radio access network infrastructure (refer to note 3). Refer to note 10 for the non-current portion of the receivable.

Receivable from subsidiary

No interest is charged on the receivable from subsidiary. For further information refer to note 30.

Credit risk

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

8 Current assets - Inventories

	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Finished goods at net realisable value	**68,950**	108,530	**290**	9,728

Inventory expense

Inventories recognised as expense during the year ended 31 December 2005 amounted to $321,955,000 (2004: $375,793,000), of which $36,820,000 (2004: $19,081,000) related to write-down or provision for write-down of inventory.

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

9 Current assets - Other

	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Prepayments	**21,774**	58,932	**6,977**	12,492
Other	**69**	64	**64**	64
	21,843	58,996	**7,041**	12,556

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

10 Non-current assets - Receivables

Trade debtors	15,655	26,574	561	3,405
Less: Provision for doubtful debts	(1,852)	(3,489)	(339)	(1,459)
	13,803	23,085	222	1,946
Other debtors	36,037	101,351	-	-
Loans to subsidiaries	-	-	127,700	967
	49,840	124,436	127,922	2,913

Other debtors

In 2004, included in other debtors was a $101,351,000 receivable for the sale of radio access network infrastructure (refer to note 3). Refer to note 7 for the current portion of the receivable.

Loans to subsidiaries

Interest on the loans to subsidiaries is charged at a rate of Bank Bills Swap Yield (BBSY) plus 2.15% p.a. (2004: BBSY plus 2.4% p.a.).

For further information refer to note 30.

Interest rate risk

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2005

	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Trade debtors (notes 7 and 10)	-	-	13,803	-	-	-	-	174,993	188,796
Other debtors (notes 7 and 10)	-	-	-	-	-	-	-	36,295	36,295
	-	-	13,803	-	-	-	-	211,288	225,091
Weighted average interest rate	-	-	8.02%	-	-	-	-		

2004

	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Trade debtors (notes 7 and 10)	-	-	23,085	-	-	-	-	169,552	192,637
Other debtors (notes 7 and 10)	-	-	101,351	-	-	-	-	308,238	409,589
	-	-	124,436	-	-	-	-	477,790	602,226
Weighted average interest rate	-	-	10.40%	-	-	-	-		

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

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

	2005	2004	2005	2004
Interest in jointly controlled entity (note 32)	-	-	-	-

Shares in jointly controlled entity

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

12 Non-current assets - Other financial assets

	2005	2004	2005	2004
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

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.

13 Non-current assets - Property, plant and equipment

	2005	2004	2005	2004
Land and buildings				
At cost	1,610	1,610	29	29
Less: Accumulated depreciation	(209)	(176)	-	-
Total Land and buildings	1,401	1,434	29	29
Fixtures, fittings and office equipment				
At cost	104,488	92,901	68,624	58,862
Less: Accumulated depreciation	(47,056)	(36,583)	(28,120)	(23,928)
Total Fixtures, fittings and office equipment	57,432	56,318	40,504	34,934
Computer equipment				
At cost	368,110	286,952	73,888	65,352
Less: Accumulated depreciation	(205,339)	(140,339)	(67,008)	(59,637)
Total computer equipment	162,771	146,613	6,880	5,715
Computer equipment under finance lease	13,594	10,370	-	-
Less: Accumulated amortisation	(5,005)	(3,551)	-	-
Total computer equipment under finance lease	8,589	6,819	-	-
Total Computer equipment	171,360	153,432	6,880	5,715
Network equipment				
At cost	541,355	499,380	230,047	236,318
Less: Accumulated depreciation	(190,786)	(143,615)	(149,416)	(115,492)
Total Network equipment	350,569	355,765	80,631	120,826
Network equipment - jointly controlled asset				
At NBV	355,136	330,533	-	-
Less: Accumulated depreciation	(20,062)	-	-	-
Total Network equipment - jointly controlled asset (note 32)	335,074	330,533	-	-
Assets under construction				
Work in progress	148,725	110,096	72	4,917
Less: Accumulated depreciation	(8,613)	(7,848)	-	-
Total Work in progress	140,112	102,248	72	4,917
Total property, plant and equipment	1,055,948	999,730	128,116	166,421

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Reconciliation of land and buildings				
Carrying amount at beginning of year	**1,434**	1,467	**29**	29
Additions	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Depreciation (note 4)	**(33)**	(33)	**-**	-
Carrying amount at end of year	**1,401**	1,434	**29**	29
Reconciliation of fixtures, fittings and office equipment				
Carrying amount at beginning of year	**56,318**	59,310	**34,934**	38,212
Additions	**3,040**	7,766	**1,215**	1,017
Disposals	**-**	-	**-**	-
Depreciation (note 4)	**(10,473)**	(10,758)	**(4,192)**	(4,295)
Reclassification	**8,547**	-	**8,547**	-
Carrying amount at end of year	**57,432**	56,318	**40,504**	34,934
Reconciliation of computer equipment				
Carrying amount at beginning of year	**146,613**	168,762	**5,715**	15,356
Additions	**81,158**	35,033	**8,536**	549
Disposals	**-**	-	**-**	-
Depreciation (note 4)	**(65,000)**	(57,182)	**(7,371)**	(10,190)
Carrying amount at end of year	**162,771**	146,613	**6,880**	5,715
Reconciliation of computer equipment under finance lease				
Carrying amount at beginning of year	**6,819**	8,686	**-**	-
Additions	**3,224**	-	**-**	-
Disposals	**-**	-	**-**	-
Depreciation (note 4)	**(1,454)**	(1,867)	**-**	-
Carrying amount at end of year	**8,589**	6,819	**-**	-
Reconciliation of network equipment				
Carrying amount at beginning of year	**355,765**	528,198	**120,826**	120,828
Additions	**117,167**	589,819	**2,372**	35,543
Disposals	**(30,429)**	(330,533)	**-**	-
Depreciation (note 4)	**(53,402)**	(101,186)	**(34,020)**	(35,545)
Transfer to joint venture operation	**(24,603)**	(330,533)	**-**	-
Reclassification	**(13,929)**	-	**(8,547)**	-
Carrying amount at end of year	**350,569**	355,765	**80,631**	120,826
Reconciliation of network equipment - jointly controlled asset				
Carrying amount at beginning of year	**330,533**	-	**-**	-
Additions	**-**	-	**-**	-
Transfer in from network equipment	**24,603**	330,533	**-**	-
Disposals	**-**	-	**-**	-
Depreciation (note 4)	**(20,062)**	-	**-**	-
Carrying amount at end of year	**335,074**	330,533	**-**	-
Reconciliation of assets under construction				
Carrying amount at beginning of year	**102,248**	414,680	**4,917**	3,691
Additions	**241,405**	324,467	**7,278**	38,335
Transfers out	**(202,776)**	(632,618)	**(12,123)**	(37,109)
Depreciation (note 4)	**(765)**	(4,281)	**-**	-
Carrying amount at end of year	**140,112**	102,248	**72**	4,917

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
14 Non-current assets - Intangible assets				
Spectrum licences at cost	939,177	939,177	43,644	43,644
Less: Accumulated amortisation	(215,311)	(140,277)	(5,617)	(432)
	723,866	798,900	38,027	43,212
Capitalised development costs	66,052	66,052	61,843	61,843
Less: Accumulated amortisation	(26,656)	(21,686)	(26,476)	(21,734)
	39,396	44,366	35,367	40,109
Customer acquisition cost	63,520	62,220	49,776	58,247
Less: Accumulated amortisation	(45,950)	(33,285)	(40,749)	(32,410)
	17,570	28,935	9,027	25,837
Transmission capacity at cost	38,794	-	6,045	-
Less: Accumulated amortisation	(3,063)	-	(477)	-
	35,731	-	5,568	-
	816,563	872,201	87,989	109,158
Reconciliation of spectrum licences				
Carrying amount at beginning of year	798,900	873,934	43,212	-
Additions	-	-	-	43,644
Disposals	-	-	-	-
Amortisation (note 4)	(75,034)	(75,034)	(5,185)	(432)
Carrying amount at end of year	723,866	798,900	38,027	43,212
Reconciliation of capitalised development costs				
Carrying amount at beginning of year	44,366	50,155	40,109	44,851
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation (note 4)	(4,970)	(5,789)	(4,742)	(4,742)
Carrying amount at end of year	39,396	44,366	35,367	40,109
Reconciliation of customer acquisition cost				
Carrying amount at beginning of year	28,935	14,547	25,837	14,548
Additions	14,511	34,483	4,742	30,509
Disposals	-	-	-	-
Amortisation (note 4)	(25,876)	(20,095)	(21,552)	(19,220)
Carrying amount at end of year	17,570	28,935	9,027	25,837
Reconciliation of transmission capacity				
Carrying amount at beginning of year	-	-	-	-
Additions	38,794	-	6,045	-
Disposals	-	-	-	-
Amortisation (note 4)	(3,063)	-	(477)	-
Carrying amount at end of year	35,731	-	5,568	-

After a reorganisation within the Group and subsequent re-evaluation of the appropriate balance sheet disclosure, transmission capacity has been re-classified from prepayments to intangible assets. There is no profit and loss impact as a result of the re-classification.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

15 Non-current assets - Other

	2005	2004	2005	2004
Prepayments	**3,934**	40,034	**1,921**	7,669

After a reorganisation within the Group and subsequent re-evaluation of the appropriate balance sheet disclosure, transmission capacity has been re-classified from prepayments to intangible assets. There is no profit and loss impact as a result of the re-classification.

16 Current liabilities - Payables

	2005	2004	2005	2004
Trade creditors	**163,336**	156,848	**22,614**	39,991
Other creditors	**94,097**	144,454	**35,459**	38,478
	257,433	301,302	**58,073**	78,469

17 Current liabilities - Interest bearing liabilities

	2005	2004	2005	2004
Secured				
Lease liabilities	**2,997**	2,731	**-**	-
Unsecured				
Bank loans	**-**	200,000	**-**	-
Fixed medium term notes	**424,580**	-	**424,580**	-
	427,577	202,731	**424,580**	-

Lease liabilities

Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default (refer note 20).

Bank loans

The effective cost of funding of the $200,000,000 bank loan was calculated on BBSY plus 2.1% p.a. and was wholly guaranteed for principal and interest by the ultimate parent entity Hutchison Whampoa Limited.

Fixed medium term notes

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 entity Hutchison Whampoa Limited.

18 Current liabilities - Provisions

	2005	2004	2005	2004
Employee benefits	**876**	1,369	**876**	1,369

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

19 Current liabilities - Other

	2005	2004	2005	2004
Customer deposits	**1**	1	**1**	1
Unearned income	**8,786**	6,398	**2,240**	1,409
Loans from related entities (note 30)	**-**	-	**-**	6,329
Loans from subsidiaries (note 30)	**-**	-	**2,996**	2,996
	8,787	6,399	**5,237**	10,735

Loans from related entities

No interest is charged on the loans from related entities. Further information refer to note 30.

Loans from subsidiaries

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

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

20 Non-current liabilities - Interest bearing liabilities

Secured				
Lease liabilities	**3,668**	3,478	**-**	-
Unsecured				
Bank loans	**1,892,543**	1,435,833	**199,661**	-
Loans from parent entity (note 30)	**196,000**	196,000	**196,000**	196,000
Loans from subsidiary (note 30)	**-**	-	**-**	25,833
Fixed medium term notes	**-**	425,000	**-**	425,000
Convertible notes	**596,450**	600,176	**596,450**	600,176
	2,684,993	2,657,009	**992,111**	1,247,009
	2,688,661	2,660,487	**992,111**	1,247,009

Lease liabilities

Leased liabilities are secured against the underlying assets which revert to the lessor in case of default. The carrying value of the assets pledged as security is $8,589,000 representing leased computer equipment.

Bank loans

$1,493,277,000 of the bank loans has a repayment date of 17 August 2009. The effective cost of funding is calculated on BBSY plus 2.22% p.a. (2004: BBSY plus 2.22% p.a.)

$199,661,000 of bank loans has a repayment date of 14 February 2008. The effective cost of funding is calculated on BBSY plus 2.15% p.a.

$99,950,000 of bank loans has a repayment date of 28 December 2008. The effective cost of funding is calculated on BBSY plus 2.13% p.a.

$99,655,000 of bank loans has a repayment date of 9 December 2010. The effective cost of funding is calculated on BBSY plus 2.17% p.a.

The bank loans are wholly guaranteed for principal and interest by the ultimate parent entity Hutchison Whampoa Limited.

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank loan facilities				
Total facilities	**1,900,000**	1,725,833	**200,000**	-
Used at balance date	**(1,900,000)**	(1,635,833)	**(200,000)**	-
Unused at balance date	**-**	90,000	**-**	-

Loans from parent entity

The average interest rate charged on the parent entity loan of $196,000,000 during the year was BBSY plus 2.45% p.a. (2004: BBSY plus 2.45% p.a.). Further information refer to note 30.

Loans from subsidiary

The average interest rate charged on the subsidiary loan of $25,833,000 during 2004 was USD LIBOR plus 2.2% p.a.

Further information refer to note 30.

Fixed medium term notes

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 entity Hutchison Whampoa Limited.

Convertible notes

On 15 July 2002, 909,358,150 convertible notes were issued for a term of 5 years and provided a cash coupon payment of 5.5% per annum, payable semi-annually until the earlier of conversion or maturity date. The issue price of each convertible note was $0.66. The convertible notes may be converted into ordinary shares of the Company at the option of the holder (in certain circumstances) on a one for one basis.

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

Transition to AASB 132 and AASB 139

Refer to note 25 for further information on the impact of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 January 2005.

20 Non-current liabilities – Interest bearing liabilities

Interest risk exposure

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

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

2005		Fixed interest rate						
	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Bank loans (notes 17 and 20)	1,892,543	-	-	-	-	-	-	1,892,543
Fixed medium term notes (note 17)	-	424,580	-	-	-	-	-	424,580
Convertible notes (note 20)	-	-	596,450	-	-	-	-	596,450
Other loans (note 20)	196,000	-	-	-	-	-	-	196,000
Lease liabilities (notes 17 and 20)	-	2,997	2,013	835	820	-	-	6,665
	2,088,543	427,577	598,463	835	820	-	-	3,116,238
Weighted average interest rate	8.02%	6.50%	5.50%	6.51%	6.51%	-	-	

2004		Fixed interest rate						
	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Bank loans (notes 17 and 20)	1,635,833	-	-	-	-	-	-	1,635,833
Fixed medium term notes (note 20)	-	-	425,000	-	-	-	-	425,000
Convertible notes (note 20)	-	-	-	600,176	-	-	-	600,176
Other loans (note 20)	196,000	-	-	-	-	-	-	196,000
Lease liabilities (notes 17 and 20)	-	2,731	2,245	1,233	-	-	-	6,209
	1,831,833	2,731	427,245	601,409	-	-	-	2,863,218
Weighted average interest rate	7.77%	6.38%	6.50%	5.50%	-	-	-	

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
21 Non-current liabilities – Provisions				
Employee benefits	1,292	799	1,292	799

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.

	2005 Shares	2004 Shares	2005 $'000	2004 $'000
22 Contributed equity				
Share capital				
Ordinary shares (fully paid)	**678,625,429**	678,625,429	**1,031,244**	1,031,244

Share capital

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Convertible notes

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.

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.

None of these convertible notes have been converted into ordinary shares.

Options

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

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

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
23 Reserves and accumulated losses				
a) Reserve				
Capital reserve	**54,887**	54,887	**-**	-
Share-based payments reserve	**1,966**	733	**1,966**	733
	56,853	55,620	**1,966**	733
Movements:				
Capital reserve				
There has been no movement in the capital reserve during the year.				
Share-based payments reserve				
Balance 1 January	**733**	-	**733**	-
Option expense	**1,233**	733	**1,233**	733
Balance 31 December	**1,966**	733	**1,966**	733
b) Accumulated losses				
Accumulated losses at 1 January	**(1,611,371)**	(921,292)	**(670,380)**	(536,582)
Adjustment on adoption of AASB 132 and 139, net of tax	**(1,278)**	-	**457**	-
Net loss attributable to the members of Hutchison Telecommunications (Australia) Limited	**(547,295)**	(690,079)	**(103,920)**	(133,798)
Accumulated losses at 31 December	**(2,159,944)**	(1,611,371)	**(773,843)**	(670,380)

c) Nature and purpose of capital reserve

Capital 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.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not expensed.

	Consolidated 2005 $'000	2004 $'000

24 Minority interest

Interest in:		
Share capital in subsidiary	**341,477**	341,477
Accumulated losses	**(341,477)**	(235,640)
	-	105,837

25 Derivative financial instruments

a) Transition to AASB 132 and AASB 139

The Consolidated Entity has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005. At the date of transition to these standards of 1 January 2005:

For the Consolidated Entity

A pre-tax net adjustment of $1,567,000 decrease in net assets was recognised representing:

- a decrease of $9,070,000 in other current assets and a decrease of $9,419,000 in interest bearing liabilities on re-measurement of interest bearing liabilities under AASB 139 *Financial Instruments: Recognition and Measurement* to fair value.
- a decrease of $1,916,000 on re-measurement of non-current receivable under AASB 139 *Financial Instruments: Recognition and Measurement* to fair value.

For the Parent Entity

A pre-tax net adjustment of $457,000 increase in net assets was recognised representing:

- a decrease of $6,127,000 in other current assets and a decrease of $6,829,000 in interest bearing liabilities on re-measurement of interest bearing liabilities under AASB 139 *Financial Instruments: Recognition and Measurement* to fair value.
- a decrease of $245,000 on re-measurement of non-current receivable under AASB 139 *Financial Instruments: Recognition and Measurement* to fair value.

For further information refer to section 5 of note 40.

b) Instruments used by the Consolidated Entity

The Consolidated Entity is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuation in exchange rates and to take profit from short term movements in exchange rates in accordance to below.

Forward exchange contracts - cash flow hedges

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

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

The cash flows are expected to occur at various dates between six months to one year from the balance date.

At balance date, the details of outstanding contracts are:

Buy USD	Sell Australian Dollars 2005 $'000	Sell Australian Dollars 2004 $'000	Average Exchange Rate 2005	Average Exchange Rate 2004
Maturity : 0 - 6 months	-	156,397	-	0.7757
Maturity : 6 - 12 months	-	50,625	-	0.7709

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

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

26 Director and key management personnel disclosures

All Director and key management personnel disclosures are contained in the Remuneration report in the Directors' report on pages 31 to 34.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

27 Remuneration of auditors

During the year the following services were paid to the auditor of the Parent Entity, its related practices and non-related audit firms:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**474**	313	**186**	155
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm:				
IT audit	**135**	108	**35**	32
IFRS accounting services	**60**	-	**16**	-
Other assurance services	**12**	57	**6**	14
Total remuneration for assurance services	**681**	478	**243**	201
Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	**80**	259	**31**	88
Advisory services				
Fees paid to related practices of PricewaterhouseCoopers Australian firms	**52**	442	**-**	-

28 Contingencies

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2005 are as follows:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Guarantees				
Secured guarantees in respect of leases and loans of controlled entities	**32,325**	32,325	**3,350**	3,350
Unsecured guarantees in respect of leases of controlled entities	**15,726**	15,171	**15,726**	15,171
	48,051	47,496	**19,076**	18,521

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.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

29 Commitments

Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Not later than 1 year	**49,963**	129,320	**600**	1,884
Later than 1 year but not later than 5 years	**74,900**	71,195	**-**	-
Later than 5 years	**-**	-	**-**	-
	124,863	200,515	**600**	1,884
The above commitments include capital expenditure commitments				
relating to the 3GIS joint venture operation (note 32 (b))	**1,587**	49,085	**-**	-

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Operating leases

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Not later than 1 year	**36,216**	60,897	**15,332**	14,767
Later than 1 year but not later than 5 years	**81,824**	154,349	**38,958**	33,100
Later than 5 years	**17,570**	75,006	**11,547**	13,736
	135,610	290,252	**65,837**	61,603
Representing:				
Non-cancellable operating leases	**135,610**	290,252	**65,837**	61,603

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

Finance leases

Commitments in relation to finance leases are payable as follows:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Not later than 1 year	**3,311**	3,048	**-**	-
Later than 1 year but not later than 5 years	**3,967**	3,645	**-**	-
Minimum lease payments	**7,278**	6,693	**-**	-
Less: Future finance charges	**(613)**	(484)	**-**	-
Recognised as a liability	**6,665**	6,209	**-**	-
Representing lease liabilities:				
Current (note 17)	**2,997**	2,731	**-**	-
Non-current (note 20)	**3,668**	3,478	**-**	-
	6,665	6,209	**-**	-

The weighted average interest rate implicit in the leases is 6.51% (2004: 6.38%).

The Consolidated Entity leases various computer equipment with a carrying value of $8,589,000 (2004: $6,819,000) under the finance leases expiring within one to four years. Under the terms of the leases, the Consolidated Entity has the option to acquire the leased assets for an agreed amount or an agreed fair value as per each lease agreement.

30 Related party transactions

a) Parent entities

The holding company and Australian parent entity is Hutchison Communications (Australia) Pty Limited which at 31 December 2005 owns 58% (2004 : 58%) of 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 2005 beneficially owns 100% (2004 : 100%) of the issued shares of Hutchison Communications (Australia) Pty Limited.

b) Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows: FOK Kin-ning, Canning; Barry ROBERTS-THOMSON; Justin H. GARDENER; LAI Kai Ming, Dominic; Dennis Pok Man LUI and Frank John SIXT. Mr Holger KLUGE retired as a Director on 31 August 2005. Mr John Michael SCANLON was appointed as a Director on 11 July 2005. Mr Dennis Pok Man LUI resigned as a Director on 15 February 2006. Mrs CHOW WOO Mo Fong, Susan was appointed as a Director on 15 February 2006.

c) Key management personnel compensation

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

d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Sales of goods and services				
Sale of Interconnection services to subsidiary	-	-	4,140	7,675
Sale of telecommunications related goods and services to joint venture	23,417	-	-	-
Sale of various goods and services to subsidiary	-	-	88,658	98,004
Purchases of goods				
Purchase of interconnection services from subsidiary	-	-	7,961	2,789
Purchase of goods and services from commonly controlled entities	198,775	47,946	-	-
Purchase of telecommunications related goods and services from joint venture	36,688	-	-	-
Loans to related parties				
Loans advanced to:				
Subsidiaries	-	-	126,733	-
Loans repayments from:				
Subsidiaries	-	-	-	95,040
Loans from related parties				
Loans advanced from:				
Subsidiaries	-	-	-	32,162
Loans repayments to:				
Subsidiaries	-	-	32,162	-
Interest revenue				
Subsidiaries	-	-	9,687	143
Interest expense				
Ultimate parent entity	38,964	16,974	11,374	8,032
Ultimate Australian parent entity	48,714	47,417	48,714	47,417
Commonly controlled entity	4,582	10,327	-	-
Subsidiaries	-	-	1,280	1,925
Superannuation contributions				
Contributions to superannuation funds on behalf of employees	6,226	6,609	1,253	1,509
Other transactions				
Other receivable from related party	35,897	-	-	-

The Parent Entity and Hutchison 3G Australia Pty Limited share some common systems and infrastructure. There is an equitable split of these assets and therefore there is no charge by either entity for the use of the shared assets for the financial year ended 31 December 2005.

30 Related party transactions continued

e) Outstanding balances

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

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current receivables				
Subsidiaries (note 7)	-	-	23,507	-
Non current receivables				
Subsidiaries (note 10)	-	-	127,700	967
Payables				
Commonly controlled entity	6,091	10,337	-	-
Current borrowings				
Controlled entity (note 19)	-	-	-	6,329
Subsidiaries (note 19)	-	-	2,996	2,996
Non-current borrowings				
Ultimate Australian parent entity (note 20)	196,000	196,000	196,000	196,000
Subsidiaries (note 20)	-	-	-	25,833

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

f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there were no fixed terms for the repayment of loans between the parties.

31 Subsidiaries

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

			Equity Holding*	
Name of entity	Country of Incorporation	Class of Shares	2005 %	2004 %
Bell Organisation Pty Limited	Australia	Ordinary	100	100
Bell Paging Pty Limited	Australia	Ordinary	100	100
Bell Communications Pty Limited	Australia	Ordinary	100	100
Lindian Pty Limited	Australia	Ordinary	100	100
Erlington Pty Limited	Australia	Ordinary	100	100
Hutchison Telephone Pty Limited	Australia	Ordinary	100	100
HTAL Facilities Pty Limited	Australia	Ordinary	100	100
Hutchison 3G Australia Holdings Pty Limited	Australia	Ordinary	80	80
Hutchison 3G Australia Pty Limited	Australia	Ordinary	80	80
H3GA Facilities Pty Limited	Australia	Ordinary	80	80
H3GA Properties (No. 3) Pty Limited	Australia	Ordinary	80	-

H3GA Properties (No. 3) Pty Limited has share capital of $1 and was non-trading during the year.

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

32 Interest in joint ventures

a) Jointly controlled entity

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

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

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Carrying amount of investment in the entity	-	-	-	-
Share of entity's assets and liabilities				
Current assets	28,261	-	-	-
Non-current assets	27,517	-	-	-
Total assets	55,778	-	-	-
Current liabilities	(19,338)	-	-	-
Non-current liabilities	(36,440)	-	-	-
Total liabilities	(55,778)	-	-	-
Net assets	-	-	-	-
Share of entity's revenue, expenses and results				
Revenue	40,520	-	-	-
Expenses	(40,520)	-	-	-
Profit before income tax	-	-	-	-
Share of entity's commitments				
Lease commitments	134,985	-	-	-
Capital commitments	-	-	-	-
	134,985	-	-	-
Contingent liabilities relating to the jointly controlled entity	-	-	-	-

b) Jointly controlled asset

Under the same joint venture agreement described in note 3, the ownership of the 50% of the existing 3G radio access network infrastructure remains with a controlled entity, Hutchison 3G Australia Pty Limited. On this basis the network assets are proportionally consolidated in accordance with the accounting policy described in note 1(g)(ii) under the following classifications:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Non-current assets				
Plant and equipment - at net book value (note 13)	355,136	330,533	-	-
Less: Accumulated depreciation	(20,062)	-	-	-
	335,074	330,533	-	-
Capital commitments	1,587	49,085	-	-

33 Segment information

Business segment

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

This is a change in policy from prior year where Orange and **3** were treated as separate business segments. The change in policy is due to the Company's decision to join its mobile services, Orange and **3**, under the single brand **3**, and plans to upgrade CDMA customers from its CDMA network to its 3G network (refer note 38, events occurring after the balance sheet date). We view the risks and returns of the business to now be the same. This policy is consistent with note 1(h) where we consider that the delivery of our mobile products and services is dependent on one common core network, one support system, one network operation team and one management team.

Comparative information has been restated as one business segment.

Geographical segment

The Consolidated Entity operated entirely within Australia.

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
34 Reconciliation of loss after income tax to net cash outflow from operating activities				
Loss for the year	**(652,843)**	(826,938)	**(103,920)**	(133,798)
Amortisation	**83,067**	80,823	**10,404**	5,174
Depreciation	**151,189**	175,307	**45,583**	50,030
Non-cash employee benefits expense - share-based payments	**1,233**	733	**1,233**	733
Fair value adjustment on assets	**(1,567)**	-	**457**	-
Fair value adjustment on liabilities	**3,729**	-	**2,123**	-
Amortisation - subscriber acquisition cost	**25,876**	20,095	**21,552**	19,220
Net (gain) on sale of property, plant and equipment	**(17,069)**	(40,335)	**-**	-
Net (gain) on sale of non-current assets	**(31)**	(891)	**(17)**	(891)
Change in operating assets and liabilities				
Increase / (decrease) in provision for doubtful debts	**4,818**	5,820	**(627)**	701
(Increase) / decrease in receivables	**(977)**	(122,507)	**20,009**	(12,936)
(Increase) / decrease in inventories	**39,580**	(81,226)	**9,438**	(6,412)
Decrease / (increase) in other assets	**(27,535)**	12,247	**(891)**	14,781
(Decrease) / increase in payables	**(38,764)**	73,866	**(15,291)**	49,268
Increase in other current liabilities	**2,388**	5,376	**831**	382
Increase in employee entitlements	**-**	986	**-**	1,010
Net cash (outflow) from operating activities	**(426,906)**	(696,644)	**(9,116)**	(12,738)
35 Non-cash investing and financing activities				
Acquisition of plant and equipment by means of finance lease	**3,224**	-	**-**	-

During the period, the Consolidated Entity acquired computer equipment with cost of $3,224,000 by means of a finance lease (note 13).

	Consolidated 2005 Cents	Consolidated 2004 Cents

36 Earnings per share

a) Basic earnings per share

	2005 Cents	2004 Cents
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)

b) Diluted earnings per share

	2005 Cents	2004 Cents
Loss from continuing operations attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(80.65)**	(101.69)

c) Reconciliation of earnings used in calculating earnings per share

	Consolidated 2005 $'000	Consolidated 2004 $'000
Basic earnings per share		
Loss from continuing operations	**(652,843)**	(826,938)
Loss from continuing operations attributable to minority interests	**105,548**	136,859
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	**(547,295)**	(690,079)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	**(547,295)**	(690,079)

d) Weighted average number of shares used as the denominator

	Consolidated 2005 Number	Consolidated 2004 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**678,625,429**	678,625,429
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**678,625,429**	678,625,429

e) Information concerning the classification of securities

i) Options

Options granted to employees and Directors under the HTAL Executive Option Plan are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive. The options have not been included in the determination of the basic earnings per share. Further details relating to the options are disclosed in note 37.

ii) Convertible notes

Convertible notes are considered to be potential ordinary shares but have not been included in the determination of the diluted earnings per share since they are not dilutive. The convertible notes have not been included in the determination of the basic earnings per share. Further details relating to convertible notes are disclosed in note 20.

The total number of potential ordinary shares that are not dilutive is 924,468,150 (2004: 926,098,150).

37 Share-based payments

HTAL Executive Option Plan

The establishment of the HTAL Executive Option Plan was approved by the Board on 3 July 1999. All permanent full-time, permanent part-time and casual employees who have been selected by the Board to receive an invitation or who have been approved for participation in the plan are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

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

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

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

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

	Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued during the year	Exercised during the year	Expired/ lapsed during the year	Balance at the end of the year	Exercisable at the end of the year
Consolidated and Parent Entity - 2005									
	18-Aug-01	17-Aug-06	$0.540	70,000	-	-	-	70,000	-
	23-Jul-04	31-Dec-10	$0.455	15,820,000	-	-	1,980,000	13,840,000	-
	30-Jul-04	31-Dec-10	$0.460	150,000	-	-	100,000	50,000	-
	20-Aug-04	31-Dec-10	$0.405	100,000	-	-	-	100,000	-
	10-Dec-04	31-Dec-10	$0.360	450,000	-	-	-	450,000	-
	23-Dec-04	31-Dec-10	$0.345	150,000	-	-	-	150,000	-
	8-Apr-05	31-Dec-10	$0.330	-	200,000	-	200,000	-	-
	3-Jun-05	31-Dec-10	$0.270	-	50,000	-	-	50,000	-
	1-Jul-05	31-Dec-10	$0.270	-	200,000	-	-	200,000	-
	5-Aug-05	31-Dec-10	$0.270	-	200,000	-	-	200,000	-
Total				16,740,000	650,000	-	2,280,000	15,110,000	-
Weighted average exercise price				$0.452	$0.288	$0.000	$0.444	$0.446	
Consolidated and Parent Entity - 2004									
	16-Aug-99	15-Aug-04	$2.000	1,070,000	-	-	1,070,000	-	-
	18-Aug-01	17-Aug-06	$0.540	70,000	-	-	-	70,000	-
	23-Jul-04	31-Dec-10	$0.455	-	16,270,000	-	450,000	15,820,000	-
	30-Jul-04	31-Dec-10	$0.460	-	150,000	-	-	150,000	-
	20-Aug-04	31-Dec-10	$0.405	-	100,000	-	-	100,000	-
	10-Dec-04	31-Dec-10	$0.360	-	450,000	-	-	450,000	-
	23-Dec-04	31-Dec-10	$0.345	-	150,000	-	-	150,000	-
Total				1,140,000	17,120,000	-	1,520,000	16,740,000	-
Weighted average exercise price				$1.910	$0.451	$0.000	$1.543	$0.452	

No options were forfeited during the year (2004: nil). The weighted average remaining contractual life of share options outstanding at the end of the period was 5.0 years (2004: 6.0 years)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2005 was 15 cents (2004: 25 cents).

Refer to note 1(t)(iv) for how the fair value of options were determined. The additional model inputs for options granted during the year ended 31 December 2005 not already outlined above include:

(a) weighted average share price at grant date: 29 cents (2004: 45 cents).

(b) weighted average of expected price volatility of the company's shares: 52% (2004: 54%).

(c) expected dividend yield: 0% (2004: 0%)

(d) weighted average risk-free interest rate: 5.3% (2004: 5.5%).

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

37 Share-based payments continued

Employee share purchase plan

The employee share purchase plan allows for HTAL's shares to be purchased by the Company for employees at a 25% discount. All Australian resident permanent employees and casual employees who have been employed by the Company for more than one year are eligible to participate in the plan. Employees may elect not to participate in the plan.

Under the plan the Company purchases on the Australian Stock Exchange up to $1,000 of HTAL's shares for each participating employee with the Company contributing up to $250 of the cost of the purchase and brokerage and stamp duty costs.

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

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Expenses arising under share-based payment transactions				
Total expenses arising from share-based payment transactions recognised during the period as part of employment costs were as follows:				
Options issued under HTAL Executive Option Plan	**1,233**	733	**185**	110

38 Critical accounting estimates and judgements

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

a) Critical accounting estimates and assumptions

Impairment of assets

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

The value in use calculation is based on cash flow projections over a 12 year period which is the estimated average useful life of the assets under review. These calculations use cash flow projections based on financial budgets approved by the Board covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below.

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

- Weighted average growth rate used to extrapolate cash flows beyond 2010 of 0%;
- Post tax discount rate applied to the cash flow projections of 8%; and
- Terminal value at the end of the modelled period based on a multiple of EBITDA less costs to sell.

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

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

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

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

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

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

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

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

39 Events occurring after the balance sheet date

On 1 February 2006 the Company announced it has joined its mobile services, Orange and **3**, under the single brand **3**, and plans to upgrade CDMA customers from its CDMA network to its 3G network.

The timetable for closure of the CDMA network is still not determined however exclusive upgrade options will be offered to all existing CDMA customers including attractive plans and a subsidised handset and as a result the Company anticipates a significant number of customers may migrate to **3** in 2006. During 2006, following a review of the rate of migration, the Directors will further consider whether the Company should continue to operate the CDMA network.

The impact of any decision to close the network will be to amend the useful life of the network assets from three years to the expected closure date which could have a material increase in the depreciation and amortisation charge for the Company. An estimate of the amount of the increased charge cannot be made as this is dependent on the outcome of the Directors' review and the closure date.

On 7 March 2006 the Consolidated Entity secured $1 billion of funding from a related party entity, Hutchison OMF Limited. The facilities have a repayment date of December 2007.

Except for the above, no matter or circumstance has arisen subsequent to balance date that has significantly affected, or may significantly affect:

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

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

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

40 Explanation of transition to Australian equivalents to IFRS

1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

a) At the date of transition to AIFRS: 1 January 2004

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Current Assets							
Cash and cash equivalents		42,782	-	42,782	1,852	-	1,852
Receivables	4(a)(i)	97,867	(12,469)	85,398	112,793	(12,469)	100,324
Inventories		27,304	-	27,304	3,316	-	3,316
Other	4(b)(i)	63,350	1,210	64,560	18,164	8,672	26,836
Total Current Assets		231,303	(11,259)	220,044	136,125	(3,797)	132,328
Non-Current Assets							
Receivables	4(a)(i)	16,992	(5,344)	11,648	57,570	(5,344)	52,226
Investment accounted for using the equity method		-	-	-	-	-	-
Other financial assets		-	-	-	1,318,776	-	1,318,776
Property, plant and equipment	4(b)(i)	1,151,512	29,591	1,181,103	178,116	-	178,116
Intangible assets	4(a)(i), 4(b)(i)	1,014,843	(76,207)	938,636	74,012	(14,614)	59,398
Other		43,466	-	43,466	43,466	-	43,466
Total Non-Current Assets		2,226,813	(51,960)	2,174,853	1,671,940	(19,958)	1,651,982
Total Assets		2,458,116	(63,219)	2,394,897	1,808,065	(23,755)	1,784,310
Current Liabilities							
Payables		167,040	-	167,040	63,290	-	63,290
Interest bearing liabilities		590,731	-	590,731	2,996	-	2,996
Provisions		602	-	602	578	-	578
Other		1,023	-	1,023	1,028	-	1,028
Total Current Liabilities		759,396	-	759,396	67,892	-	67,892
Non-Current Liabilities							
Interest bearing liabilities		1,227,386	-	1,227,386	1,221,176	-	1,221,176
Provisions		580	-	580	580	-	580
Total Non-Current Liabilities		1,227,966	-	1,227,966	1,221,756	-	1,221,756
Total Liabilities		1,987,362	-	1,987,362	1,289,648	-	1,289,648
Net Assets		470,754	(63,219)	407,535	518,417	(23,755)	494,662
Equity							
Parent entity interest							
Contributed equity		1,031,244	-	1,031,244	1,031,244	-	1,031,244
Reserves		54,887	-	54,887	-	-	-
Accumulated losses	4(a)(i)	(865,926)	(55,366)	(921,292)	(512,827)	(23,755)	(536,582)
Total parent entity interest		220,205	(55,366)	164,839	518,417	(23,755)	494,662
Minority interest	4(a)(i)	250,549	(7,853)	242,696	-	-	-
Total Equity		470,754	(63,219)	407,535	518,417	(23,755)	494,662

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000

40 Explanation of transition to Australian equivalents to IFRS continued

b) At the end of the last reporting period under previous AGAAP: 31 December 2004

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Entity Previous AGAAP $'000	Parent Entity Effect of transition to AIFRS $'000	Parent Entity AIFRS $'000
Current Assets							
Cash and cash equivalents		72,700	-	72,700	21,854	-	21,854
Receivables	4(a)(ii)	504,670	(26,880)	477,790	77,783	(26,880)	50,903
Inventories		108,530	-	108,530	9,728	-	9,728
Other	4(b)(ii)	46,293	12,703	58,996	6,429	6,127	12,556
Total Current Assets		732,193	(14,177)	718,016	115,794	(20,753)	95,041
Non-Current Assets							
Receivables	4(a)(ii)	135,956	(11,520)	124,436	14,433	(11,520)	2,913
Investment accounted for using the equity method		-	-	-	-	-	-
Other financial assets		-	-	-	1,318,776	-	1,318,776
Property, plant and equipment	4(b)(ii)	973,840	25,890	999,730	166,421	-	166,421
Intangible assets	4(a)(ii), 4(b)(ii)	1,098,276	(226,075)	872,201	136,157	(26,999)	109,158
Other		40,034	-	40,034	7,669	-	7,669
Total Non-Current Assets		2,248,106	(211,705)	2,036,401	1,643,456	(38,519)	1,604,937
Total Assets		2,980,299	(225,882)	2,754,417	1,759,250	(59,272)	1,699,978
Current Liabilities							
Payables		301,302	-	301,302	78,469	-	78,469
Interest bearing liabilities		202,731	-	202,731	-	-	-
Provisions		1,369	-	1,369	1,369	-	1,369
Other		6,399	-	6,399	10,735	-	10,735
Total Current Liabilities		511,801	-	511,801	90,573	-	90,573
Non-Current Liabilities							
Interest bearing liabilities		2,660,487	-	2,660,487	1,247,009	-	1,247,009
Provisions		799	-	799	799	-	799
Total Non-Current Liabilities		2,661,286	-	2,661,286	1,247,808	-	1,247,808
Total Liabilities		3,173,087	-	3,173,087	1,338,381	-	1,338,381
Net Liabilities		(192,788)	(225,882)	(418,670)	420,869	(59,272)	361,597
Equity							
Parent entity interest							
Contributed equity		1,031,244	-	1,031,244	1,031,244	-	1,031,244
Reserves	4(c)(i)	54,887	733	55,620	-	733	733
Accumulated losses	4(a)(ii), 4(c)(i)	(1,417,911)	(193,460)	(1,611,371)	(610,375)	(60,005)	(670,380)
Total parent entity interest		(331,780)	(192,727)	(524,507)	420,869	(59,272)	361,597
Minority interest	4(a)(ii)	138,992	(33,155)	105,837	-	-	-
Total Equity		(192,788)	(225,882)	(418,670)	420,869	(59,272)	361,597

		Consolidated			Parent Entity		
	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000

40 Explanation of transition to Australian equivalents to IFRS continued

2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS) for the year ended 31 December 2004

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue from continuing operations	4(d)(i), 4(e)(i)	1,173,293	(400,296)	772,997	378,295	(4,372)	373,923
Cost of interconnection and variable content costs		(171,072)	-	(171,072)	(80,784)	-	(80,784)
Other direct costs of provision of telecommunication services and goods	4(a)(iii)	(414,024)	(20,588)	(434,612)	(139,790)	(20,587)	(160,377)
Cost of handsets sold		(356,711)	-	(356,711)	(63,748)	-	(63,748)
Employment costs	4(c)(ii)	(104,391)	(733)	(105,124)	(22,826)	(733)	(23,559)
Advertising and promotion expenses		(87,758)	-	(87,758)	(20,217)	-	(20,217)
Other operating expenses	4(d)(i)	(97,775)	16,001	(81,774)	(31,447)	-	(31,447)
Other income	4(d)(i), 4(e)(i)	-	53,762	53,762	-	4,372	4,372
Capitalisation of customer acquisition costs	4(a)(iii)	216,819	(182,336)	34,483	42,745	(12,236)	30,509
Depreciation expense	4(b)(iii)	(171,606)	(3,701)	(175,307)	(50,030)	-	(50,030)
Amortisation expense	4(a)(iii)	(141,179)	40,261	(100,918)	(21,700)	(2,694)	(24,394)
Borrowing costs	4(b)(iii)	(178,530)	3,701	(174,829)	(88,046)	-	(88,046)
Carrying value of radio access network infrastructure sold	4(d)(i)	(330,533)	330,533	-	-	-	-
Loss before income tax		(663,467)	(163,396)	(826,863)	(97,548)	(36,250)	(133,798)
Income tax		(75)	-	(75)	-	-	-
Loss after income tax		(663,542)	(163,396)	(826,938)	(97,548)	(36,250)	(133,798)
Net loss attributable to minority interest		111,557	25,302	136,859	-	-	-
Net loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited		(551,985)	(138,094)	(690,079)	(97,548)	(36,250)	(133,798)

3) Reconciliation of cash flow statement for the year ended 31 December 2004

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statements.

40 Explanation of transition to Australian equivalents to IFRS continued

4) Notes to the reconciliations

a) Customer acquisition cost

Under the Urgent Issues Group (UIG) Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*, the cost of telephones provided to customers do not meet the prescriptive definition of customer acquisition cost that must be capitalised. In addition, directly attributable customer acquisition cost are to be amortised over the lesser of the stated period of the contract and the period over which the future economic benefits are expected to be obtained.

Under previous AGAAP and UIG Abstract 42 *Subscriber Acquisition Costs in the Telecommunications Industry*, the cost of telephones provided to customers was recognised as a customer acquisition cost and the amortisation of the customer acquisition cost asset was over the period during which the future economic benefits are expected to be obtained.

As a result of Interpretation 1042, the Company has changed its accounting policy. The subsidised portion of the handset will no longer be recognised as an asset and the amortisation of customer acquisition cost will be over the shorter of the stated period of the contract and the period during which the future economic benefits are expected to be obtained. The effect of this is:

i) At 1 January 2004

For the Consolidated Entity there has been a decrease in current receivables of $12,469,000, a decrease in non-current receivables of $5,344,000, a decrease of intangible assets of $45,407,000, a decrease in retained earnings of $55,366,000 and a decrease in minority interest of $7,853,000.

ii) At 31 December 2004

For the Consolidated Entity there has been a decrease in current receivables of $26,880,000, a decrease in non-current receivables of $11,520,000, a decrease of intangible assets of $187,482,000, a decrease in retained earnings of $192,727,000 and a decrease in minority interest of $33,155,000.

iii) For the year ended 31 December 2004

For the Consolidated Entity there has been an increase in other direct costs of provision of telecommunications services and goods of $20,588,000, a decrease in amortisation expense of $40,261,000 and a decrease in capitalisation of customer acquisition cost $182,336,000.

b) Borrowing costs

The Company has elected to adopt the allowed alternative treatment of AASB 123 *Borrowing Costs*, and continue to expense borrowing costs as incurred unless the costs are directly attributable to the acquisition, construction or production of a qualifying asset. Where the costs are directly attributable to a qualifying asset, the borrowing costs are capitalised as part of the cost of that asset. Previously, capitalised borrowing costs were treated separately as an intangible asset and amortised over the life of that asset. This has resulted in capitalised funding costs being allocated to specific qualifying assets and depreciated over the life of that asset. In addition, any prepaid borrowing costs have been transferred to other current assets. The effect of this is:

i) At 1 January 2004

For the Consolidated Entity there has been an increase in property, plant and equipment of $29,591,000, a decrease in intangible assets of $30,800,000 and an increase in other current assets of $1,210,000.

ii) At 31 December 2004

For the Consolidated Entity there has been an increase in property, plant and equipment of $25,890,000 a decrease in intangible assets of $38,593,000 and an increase in other current assets of $12,703,000.

iii) For the year ended 31 December 2004

For the Consolidated Entity there has been a decrease in borrowing costs of $3,701,000 and a corresponding increase in depreciation expense.

c) Share-based payments

Under AASB 2 *Share-based Payment* from 1 January 2004 the Consolidated Entity is required to recognise an expense for those options that were issued to employees under the Hutchison Telecommunications (Australia) Limited Executive Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

i) At 31 December 2004

For the Consolidated Entity there has been a decrease in retained earnings of $733,000 and a corresponding increase in reserves.

ii) For the year ended 31 December 2004

For the Consolidated Entity there has been an increase in employee costs of $733,000.

d) Property, plant and equipment

Under AASB 116 *Property, Plant and Equipment* gains and losses on disposal of an item of property, plant and equipment is to be recognised on a net basis as revenue or an expense, rather than recognising the consideration received as revenue. The effect of this is:

i) For the year ended 31 December 2004

For the Consolidated Entity the carrying value of radio access network infrastructure sold of $330,533,000 and other operating expenses of $16,001,000 has been netted-off with the revenue received as consideration of $386,869,000 resulting in an increase in other income of $40,335,000.

e) Other income

Under AASB 118 *Revenue* the definition of revenue is narrower than the standard that it supersedes AASB 1004 *Revenue*. AASB 118 defines revenue as the gross inflow of economic benefits from ordinary activities while AASB 1004 contains a broader definition or revenue encompassing all of an entity's inflows. As a result the presentation of the income statement has been changed separating revenue from other income. The effect of this is:

i) For the year ended 31 December 2004

For the Consolidated Entity there has been a decrease in revenue of $13,427,000 and a corresponding increase in other income as a result of classifying net foreign exchange gains and net gains on disposal of other non-current assets as other income.

		1 January 2004		31 December 2004	
		Consolidated $'000	Parent Entity $'000	Consolidated $'000	Parent Entity $'000
f) Accumulated losses					
The effect on accumulated losses of the changes set out above are as follows:					
Customer acquisition cost	4(a)	**(63,219)**	(23,754)	**(225,882)**	(59,272)
Share-based payment	4(c)	**-**	-	**(733)**	(733)
Total Adjustment		**(63,219)**	(23,754)	**(226,615)**	(60,005)
Attributable to:					
Members of Hutchison Telecommunications (Australia) Limited		**(55,366)**	(23,754)	**(193,460)**	(60,005)
Minority interest		**(7,853)**	-	**(33,155)**	-
		(63,219)	(23,754)	**(226,615)**	(60,005)

	Consolidated			Parent Entity		
	31 December 2004 $'000	Adjustment $'000	1 January 2005 $'000	31 December 2004 $'000	Adjustment $'000	1 January 2005 $'000

5) Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 January 2005

Current Assets						
Cash and cash equivalents	72,700	-	72,700	21,854	-	21,854
Receivables	477,790	-	477,790	50,903	-	50,903
Inventories	108,530	-	108,530	9,728	-	9,728
Other	58,996	(9,070)	49,926	12,556	(6,127)	6,429
Total Current Assets	718,016	(9,070)	708,946	95,041	(6,127)	88,914
Non-Current Assets						
Receivables	124,436	(1,916)	122,520	2,913	(245)	2,668
Investment accounted for using the equity method	-	-	-	-	-	-
Other financial assets	-	-	-	1,318,776	-	1,318,776
Property, plant and equipment	999,730	-	999,730	166,421	-	166,421
Intangible assets	872,201	-	872,201	109,158		109,158
Other	40,034	-	40,034	7,669	-	7,669
Total Non-Current Assets	2,036,401	(1,916)	2,034,485	1,604,937	(245)	1,604,692
Total Assets	2,754,417	(10,986)	2,743,431	1,699,978	(6,372)	1,693,606
Current Liabilities						
Payables	301,302	-	301,302	78,469	-	78,469
Interest bearing liabilities	202,731	-	202,731	-	-	-
Provisions	1,369	-	1,369	1,369	-	1,369
Other	6,399	-	6,399	10,735	-	10,735
Total Current Liabilities	511,801	-	511,801	90,573	-	90,573
Non-Current Liabilities						
Interest bearing liabilities	2,660,487	(9,419)	2,651,068	1,247,009	(6,829)	1,240,180
Provisions	799	-	799	799	-	799
Total Non-Current Liabilities	2,661,286	(9,419)	2,651,867	1,247,808	(6,829)	1,240,979
Total Liabilities	3,173,087	(9,419)	3,163,668	1,338,381	(6,829)	1,331,552
Net Assets	(418,670)	(1,567)	(420,237)	361,597	457	362,054
Equity						
Parent entity interest						
Contributed equity	1,031,244	-	1,031,244	1,031,244	-	1,031,244
Reserves	55,620	-	55,620	733	-	733
Accumulated losses	(1,611,371)	(1,278)	(1,612,649)	(670,380)	457	(669,923)
Total parent entity interest	(524,507)	(1,278)	(525,785)	361,597	457	362,054
Minority interest	105,837	(289)	105,548	-	-	-
Total Equity	(418,670)	(1,567)	(420,237)	361,597	457	362,054

Refer to notes 1(r) for further information on the transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 January 2005.

Directors' Declaration

For the year ended 31 December 2005

In the Directors' opinion:

(a) the financial statements and notes set out on pages 38 to 73 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(c) the audited remuneration disclosures set out on pages 31 to 34 of the Directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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

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

FOK Kin-ning, Canning
Chairman

Frank Sixt
Director

7 March, 2006

PRICEWATERHOUSECOOPERS

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Independent Audit Report

to the members of Hutchison Telecommunications (Australia) Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Hutchison Telecommunications (Australia) Limited (the Company) and the Hutchison Telecommunications (Australia) Limited Group (defined below) for the financial year ended 31 December 2005 included on Hutchison Telecommunications (Australia) Limited's web site. The Company's directors are responsible for the integrity of the Hutchison Telecommunications (Australia) Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit opinion

In our opinion:

1. 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 2005, 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*; and
2. the remunerations disclosures that are contained in pages 31 to 34 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 31 to 34 of the directors' report, as permitted by Class Order 06/50.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and Class Order 06/50. 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and Class Order 06/50.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

PricewaterhouseCoopers

DJ Whale

DJ Whale
Partner

Sydney
7 March 2006

Liability limited by a scheme approved under Professional Standards Legislation

Shareholder Information

The shareholder information set out below was applicable as at 6 March 2006

Substantial shareholders

Substantial shareholders in the Company are:

	Shareholding	Percentage %
Hutchison Communications (Australia) Pty Limited#	476,312,105	70.19
Telecom Corporation of New Zealand Limited*	392,353,358	57.8
Telstra Corporation Limited**	477,312,105	70.19
Leanrose Pty Limited	84,958,747	12.5

Notes:

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

* 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.

** 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 Telstra Corporation Limited by Hutchison Whampoa Limited, the ultimate parent company of Hutchison Communications (Australia) Pty Limited, which were approved by shareholders in October 2004, not as a result of a direct or indirect holding of shares in the Company by Telstra Corporation Limited

Distribution of equity securities

Range	Ordinary Shares	Convertible Notes	Options
1-1,000	1,873	23	-
1,001-5,000	4,337	70	-
5,001-10,000	1,591	10	-
10,001-100,000	2,116	17	24
100,001-OVER	225	5	47
Total	**10,142**	**125**	**71**

There were 2,679 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 6 March 2006 are as follows:

Shareholder	Shareholding	% Issued Capital	Rank
Hutchison Communications (Australia) Pty Limited	392,353,358	57.82	1
Leanrose Pty Ltd	83,958,747	12.37	2
Citicorp Nominees Pty Limited	12,673,914	1.87	3
J P Morgan Nominees Australia Limited	8,677,596	1.28	4
Niako Investments Pty Limited	6,100,000	.90	5
Westpac Custodian Nominees Limited	5,925,009	.87	6
Prakash Dayanandan	4,031,000	.59	7
HSBC Custody Nominees (Australia) Limited-GSI ECSA	4,000,000	.59	8
HSBC Custody Nominees (Australia) Limited	2,945,330	.43	9
Arjee Pty Limited	2,077,936	.31	10
Yim Fong Leung	1,603,000	.24	11
Jason Boua Hong Lo	1,400,000	.21	12
Yee Man Tang	1,250,000	.18	13
Johnson Yiu Keung Tong & Christina Look Yung Tong	1,120,000	.17	14
Kevin Steven Russell	1,100,000	.16	15
Michael Chi Wai Ho	1,090,000	.16	16
Frank John Sixt	1,000,000	.15	17
Tsui Yee Leung	900,000	.13	18
SLJM Pty Limited	867,700	.13	19
Man Fai Lin	865,000	.11	20

Twenty largest noteholders

The names of the 20 largest holders of quoted convertible notes as at 6 March 2006 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
Fok Kin-ning, Canning	134,000	4
Capital Enterprises (WA) Pty Limited	93,051	5
J P Morgan Nominees Australia Ltd	80,400	6
Sam Chong Yee Hui & Freda Yu Ha Hui	67,000	7
Justin Herbert Gardener & Anne Louise Gardener	57,430	8
Citicorp Nominees Pty Limited	46,900	9
James Barry Ritchie & Peggy Dawn Ritchie	29,279	10
Shiva Enterprises Pty Limited	25,000	11
Poompong Patpongpanit	20,636	12
Baker Consulting Pty Limited	17,566	13
Star Performer Pty Limited	14,550	14
Wing Keung Chan & Ho Wai Fong Chan	13,400	15
Ching Tak Fok & Yvonne Leung	13,400	15
Mervyn John Phillips	13,400	15
Colin Pollock and Margaret Irene Pollock	13,400	15
Tania Lee Trevethan	13,400	15
Patricia Chen	10,720	16
Stockton Park Investments P/L	10,720	16
Richard Sandys Cameron Newman	10,000	17
Serreddin Samimi	10,000	17
Grant Richard Snowden	8,040	18
Margaret Alison Beischer	7,658	19
Ana Africh	5,935	20

Unquoted equity securities

Options issued under the HTAL Executive Option Plan:	
Number of Options on issue	14,890,000
Number of holders	71

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
Barry Roberts-Thomson
Chow Woo Mo Fong, Susan
Justin H. Gardener
Lai Kai Ming, Dominic
John Michael Scanlon
Frank John Sixt

Company Secretaries

Edith Shih
Louise Sexton

Investor Relations

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Share Registry

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Tel: (02) 9280 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

Notice of Annual General Meeting

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

Date: Tuesday 9 May 2006
Time: 10.00am

A formal notice of meeting is enclosed.

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Annual Report 2005 Hutchison Telecommunications (Australia) Limited ABN 15 003 677 227