Chairman's Statement

"All of the Group's divisions reported increased turnover in 2004 with particularly strong growth in India"

The Group produced strong results for 2004 benefiting from its presence in rapid growth markets for mobile communications. We benefited from leading market positions in many of the major markets in which we operate, and with the launch of 3G in Hong Kong and Israel during 2004, we are also well positioned to take advantage of the continuing leadership of those markets.

Results

The Group's turnover increased to HK$14,960 million in 2004, an increase of 48.1% compared to the previous year. Operating profit increased to HK$1,859 million, including a one time gain of HK$1,300 million from the placement of shares in Hutchison Global Communications Holdings Limited. Excluding this one time gain, operating profit was HK$559 million. Profits attributable to shareholders for the year were HK$72 million or HK$0.02 per share. Without the one time gain, the Group would have posted a loss attributable to shareholders of HK$1,228 million.

The Company did not declare any dividends for the year ended 31 December 2004.

Operations

Group Review

Turnover for the year was HK$14,960 million, an increase of 48.1% over last year, reflecting the strong growth in our customer base which increased 47.3% to 12.6 million as at 31 December 2004. All of the Group's divisions reported increased turnover in 2004 with particularly strong growth in India. India represented 47.4% of Group turnover, whilst Hong Kong mobile represented 24.8%, Hong Kong fixed represented 18.1% and Thailand 8.1%.

Mobile service turnover accounted for 79.3% of Group turnover, fixed telecommunications and other services accounted for 18.1% and the balance of 2.6% representing telecommunications products (such as handsets and accessories).

Operating profit increased to HK$1,859 million supported by strong operating results especially from India and Israel and lower start up losses in Thailand. Israel increased its contribution to operating profits by 26.9% to HK$755 million. Operating profits of the Company and subsidiaries were HK$1,106 million after the inclusion of the one time gain of HK$1,300 million. Excluding the one time gain, the recurring operating loss of the Company and subsidiaries was HK$194 million (2003 - HK$278 million) largely due to lower operating profits of the Hong Kong mobile business and the growth costs of the Corporate Office consequent to the listing of the Group.

The Group has further strengthened its competitive positions within its markets through continued investment. Overall, capital expenditure in 2004 totalled HK$4,677 million, down by 15.7% over 2003.

Operations Review

India

Growth in our India business continues to be strong reflecting the growth of the overall market and the Group's position within the market.

As at 31 December 2004, our customer base in India was 7.2 million, an increase of 12.7% on the previous quarter and 74.7% higher than at the same time last year. The post paid customer base now represents 29.8% of the total customer base, compared to 28.3% in the previous quarter and 22.1% at the start of the year. Average revenue per user ("ARPU") remained constant at INR589 on the previous quarter reflecting relatively unchanged average minutes of use. ARPU fell 16.7% from the same quarter in 2003 as a result of renewed focus on the post paid affordability, coupled with post paid customer growth.

Reflecting the growth in our customer base, turnover increased by 57.7% to HK$7,093 million and earnings before interest, taxation, depreciation and amortisation ("EBITDA") increased to HK$2,201 million, an increase of 42.7% from 2003. Operating profits increased by 100.6% to HK$1,344 million due to the strong operating performance and lower depreciation and amortisation. Amortisation of goodwill was nil in 2004 (2003 - HK$242 million), due to the adoption of Hong Kong Financial Reporting Standards ("HKFRS") No. 3 which requires goodwill amortisation to cease from 1 January 2004.

> "Growth in our India business continues to be strong reflecting the growth of the overall market and the Group's position within the market"

We continue to invest in extending the operations in India and during the year, we launched three new licence areas in Punjab, West Bengal and Uttar Pradesh (West). Capital expenditure was HK$2,463 million, which was 52.3% higher than in 2003, which reflects this increased investment.

Hong Kong and Macau

Our mobile business in Hong Kong maintained its position as the largest operator by customers, and through the introduction of 3G services in early 2004, established itself as the technology leader.

Hong Kong and Macau ended the year with 2.2 million customers, constant compared to Q3 and 12.2% higher than at the end of 2003. ARPU for Q4 2004 increased by 3.3% on the previous quarter to HK$156 reflecting seasonal factors and the impact of higher ARPU 3G customers within the overall customer base mix. ARPU was 2.5% lower than that in the same period in 2003.

Despite intense competition, turnover increased 6.6% compared to 2003 to HK$3,714 million, which was driven by higher customer numbers as well as increased roaming turnover. Turnover was somewhat lower in 2003 as our business suffered from the effects of the outbreak in Hong Kong of severe acute respiratory syndrome (SARS), which led to temporarily lower roaming turnover as visits to and outside Hong Kong by business and leisure travellers decreased during that period. EBITDA fell to HK$316 million from HK$1,171 million in the previous year reflecting the impact of restructuring costs arising from the cost saving initiative announced on 5 January 2005 (see Recent Events - Cost Saving Initiatives) and the start up costs of the 3G launch. Operating losses for the year of HK$534 million, compared to an operating profit of HK$606 million in 2003, was because of the restructuring and 3G start-up costs together with higher depreciation and amortisation, which were 50.4% higher than those in 2003 as we commenced the depreciation of the 3G network following commercial launch.

Capital expenditure fell to HK$557 million from HK$1,280 million in 2003 reflecting the completion of the initial investment in building the basic infrastructure of a territory wide 3G network. As at 31 December 2004 we had over 1,350 3G cell sites giving us 99% population coverage, which is more than any other 3G network in Hong Kong.

Our fixed line business was listed through Hutchison Global Communications Holdings Limited on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") in 2004 following the business combination of Vanda Group, HGC Group and PowerCom Group. Since the business combination, this Group has been focusing on two core businesses - the provision of telecommunications services and IT solutions. Turnover for the year totalled HK$2,701 million, an increase of 65.9% over last year, which was partly attributable to the consolidation of Vanda in the Group's results for the first time. The increase is mainly due to continued service expansion in the telecommunications division and contribution from the IT solutions division. Total operating profit for the year improved by 19.8% (after excluding one off gains of HK$24 million from Universal Service Contribution refund and HK$24 million from government rates adjustment in 2003) over last year to HK$218 million.

"Our mobile business in Hong Kong maintained its position as the largest operator by customers, and through the introduction of 3G services in early 2004, established itself as the technology leader"

Capital expenditure was HK$717 million, 43.0% lower than in 2003, mainly due to lower prices and slower strategic rollout.

Thailand

Our Thailand operation commenced service in early February 2003. As the newest entrant in the Thai mobile communications market and the only operator in Thailand operating on a high speed CDMA2000 1X network, we have been able to increase our market share and differentiate our services in the market. We currently offer our customers a high-speed multimedia service in 25 provinces that is not available anywhere else in Thailand.

As at 31 December 2004 our customer base was 615,000, an increase of 5.1% on the previous quarter and 174.6% higher than at the start of the year. ARPU declined by 5.5% to THB876 on the previous quarter and by 36.1% on the same period in 2003 because following the launch of our prepaid service in early 2004. We saw an increasing proportion of our customer base coming from prepaid customers who typically have lower ARPU.

Turnover was up by 243.4% to HK$1,219 million and losses before interest, taxation, depreciation and amortisation ("LBITDA") reduced from HK$808 million to HK$280 million as the customer base continued to grow. Operating losses decreased to HK$1,071 million in 2004, which was HK$42 million better than 2003.

Capital expenditure reduced to HK$876 million from HK$1,344 million in 2003 as we reached the end of the significant expenditure for network coverage.

Israel

Partner Communications Company Ltd. ("Partner"), a listed associate company of the Group, continued to perform well in a competitive market. In December 2004 Partner became the second company within the Group to launch 3G services.

Partner ended the year with 2.3 million customers, 3.1% higher than in the previous quarter and an 11.3% increase in the year, demonstrating its ability to continue to grow its business in a highly competitive market.

Partner's contribution to Group operating profit increased by 26.9% to HK$755 million.

Others

The Group's other businesses, Sri Lanka, Ghana and Paraguay, also contributed to the success of the business. The combined customer base increased to 244,000, which is a 19.0% increase on the previous quarter and 74.3% higher than the same period in 2003, largely driven by customer acquisition in Sri Lanka and Paraguay.

"Partner ended the year with 2.3 million customers... demonstrating its ability to continue to grow its business in a highly competitive market"

Turnover increased by 67.6% to HK$233 million and operating losses increased to HK$151 million after the increase in 2004 Corporate Office expenses, including new head count and indirect IPO related expenses.

Capital expenditure amounted to HK$64 million in 2004 compared to HK$48 million in 2003.

Basis of Preparation

As referred to in Note 1 to the accounts, on 22 September 2004 the Group and Hutchison Whampoa Limited ("HWL"), the Group's ultimate holding company, undertook a restructuring (the "Restructuring"), in contemplation of the listing of the Group on the Hong Kong Stock Exchange and the New York Stock Exchange. HWL transferred to the Company the operations and related assets and liabilities of its mobile telecommunications and related businesses in Hong Kong, India, Israel, Thailand, Sri Lanka, Paraguay, Ghana and Macau, and fixed-line telecommunications businesses in Hong Kong. Following completion of the Restructuring, the Company's shares were listed on the New York Stock Exchange on 14 October 2004 and the Hong Kong Stock Exchange on 15 October 2004.

As discussed in Note 2 to the accounts, the Restructuring was accounted for as a reorganisation of businesses under common control in a manner similar to a pooling of interests. The financial information presented throughout the Annual Report has been prepared as if the Group had been in existence throughout the years ended 31 December 2003 and 2004 or since their respective dates of incorporation or acquisition.

Recent Events

Since 31 December 2004, a number of important events affecting the Company and its subsidiaries have occurred.

Cost Saving Initiatives

On 5 January 2005, the Company announced that as part of its ongoing efforts to improve financial performance amid the increasingly difficult market environment globally, particularly in Hong Kong, it had reviewed the cost components of a number of its operations and decided to outsource certain functions such as network and IT services and maintenance. As a result of the outsourcing, there was a reduction in total of around 750 staff of Group companies in Hong Kong, around 86.8% of whom were from the mobile operations.

The measures were intended to enhance the financial performance and organisational efficiency of the Group and is expected to translate into more cost-effective operations while maintaining or exceeding current service levels to customers.

"In the coming year, on an organic basis, the Group anticipates double-digit mobile customer growth"

Reorganisation of Indian Operations

On 1 February 2005, the Group's various mobile interests in India were reorganised under Hutchison Max Telecom Limited, the Group's mobile telecommunications operator in Mumbai. The reorganisation has created one of the largest mobile companies in India and is expected to result in many operating synergies, including more efficient management and a more efficient use of resources and funds between the various operating companies. In addition, management believes that the new structured company will be better placed to access the debt and equity markets in India.

Offer to Sell Shares to Partner Communications

On 7 February 2005, three of the founding Israeli shareholders of Partner irrevocably offered to sell all of their Partner shares to Partner and another of the Israeli founding shareholders has an option to participate in the sale. On 23 February 2005, Partner's Board of Directors approved the acceptance of the offer. Acceptance of the offer is subject to Partner's shareholders' approval. If such approval is granted and all conditions precedent are satisfied, upon completion of the buy back the Group's interest in Partner will increase from approximately 43% to over 50%.

Investment Licence for Vietnam

On 18 February 2005, Hutchison Telecommunications (Vietnam) S.à.r.l., received an investment licence from the Ministry of Planning and Investment of Vietnam to permit it to engage in a business cooperation with Hanoi Telecommunication Joint Stock Company to build, develop and operate a mobile telecommunications network in Vietnam. The business cooperation will develop a CDMA2000 network to provide mobile telecommunications services in Vietnam. The licence has been granted for 15 years.

Termination of Aircel Acquisition

On 19 June 2004, Aircel Digilink India Limited ("ADIL"), one of the Group's subsidiaries in India, signed a preliminary agreement with Aircel Tele Ventures Limited ("Vendor") to acquire Aircel Limited and Aircel Cellular Limited (together "Aircel"). On 7 March 2005, ADIL and the Vendor entered into an agreement for the immediate termination of the Group's obligation to acquire the entire interest in Aircel under the preliminary agreement.

Outlook

In the coming year, on an organic basis, the Group anticipates double-digit mobile customer growth. We expect all of our businesses to make net customer additions but as with 2004, the major customer growth will come from India.

Driven by growing customer numbers and modest average ARPU attrition we expect a continuation of double-digit organic Group turnover growth.

We expect to see a continuing improvement in Group consolidated EBITDA margins when compared on a like-for-like basis with 2004.

Our depreciation charge will be higher in 2005 reflecting the full year amortisation of networks commencing operations in 2004.

For the 2005 financial year, total organic capital expenditure is expected to be around the same level as in 2004. There will be continued investment in India in building out the new licence areas and in building increased capacity, which will represent around 60% of the Group's capital expenditure. A further approximately 25% will be invested in Hong Kong with the majority of the balance across Vietnam, Thailand and other operations.

I would like to thank the Board of Directors and all the Group's employees around the world for their hard work, support and dedication.

FOK Kin-ning, Canning
Chairman
Hong Kong, 7 March 2005