2005 was an important year for Hutchison Telecom. The Group strengthened its position in India through the acquisition of three licence areas from BPL and expansion into the growth opportunities offered in Indonesia and Vietnam, positioning Hutchison Telecom as one of the leading mobile operators in emerging growth markets. At the end of 2005 we announced a strategic alignment with Orascom Telecom and I am delighted to welcome to the board Naguib Sawiris and Aldo Mareuse.

We have built an excellent group of businesses in several dynamic markets that we are confident will drive the Group's growth. 2006 will be a year of continued investment to establish or further strengthen our position and take advantage of the opportunities these markets provide.

Results

Turnover from continuing operations increased to HK$24.4 billion in 2005, an increase of 64.1% from HK$14.8 billion in 2004. Operating profit from continuing operations before disposal of investments and others was HK$2,083 million compared to a loss of HK$144 million in 2004. The loss for the year was HK$150 million compared to a profit of HK$240 million in 2004, which included a gain on disposal of HK$1,300 million.

Losses attributable to equity holders for the year were HK$768 million after a loss of HK$352 million from discontinued operations. Loss from continuing operations was HK$416 million or HK$0.09 per share.

The Company did not declare any dividends for the year ended 31 December 2005.

> "Most of the Company's subsidiaries reported increased turnover in 2005, with particularly strong growth in India"

New and Revised Accounting Standards

During 2005, the Group changed certain accounting policies following its adoption of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for accounting periods commencing on or after 1 January 2005. The adoption of Hong Kong Financial Reporting Standards is in accordance with the Hong Kong Institute of Certified Public Accountants' policy objective of full convergence with International Financial Reporting Standards and interpretations established by the International Accounting Standards Board.

The adoption of the new Hong Kong Financial Reporting Standards from 1 January 2005 resulted in a decrease in opening reserves as at 1 January 2005 by HK$437 million and a loss to equity holders of the Company for the year ended 31 December 2005 of HK$154 million (2004 - HK$102 million).

Significant Transactions

During the year the Group completed a number of significant transactions to strategically position the business.

The buy back of shares by Partner Communications Company Ltd ("Partner") in Israel lifted the Group's equity interest to 52.2% from 42.9%, resulting in the consolidation of Partner as a subsidiary of the Company beginning in April 2005. This had a material impact on the Group's financial results, increasing turnover by HK$6.6 billion in the last nine months of 2005.

The Group also privatised Hutchison Global Communications Holdings Limited ("HGCH"), the Group's Hong Kong fixed-line business. This transaction streamlined the reporting procedures for Hutchison Telecom and created one cohesive and strategically aligned telecommunications company in Hong Kong.

In September 2005, Hutchison Telecom announced the proposed acquisition by Hutchison Essar Limited ("Hutchison Essar"), its telecommunications operator in India, of BPL Mobile Communications Limited ("BPL Mumbai") and BPL Mobile Cellular Limited ("BPL Cellular"). BPL Mumbai is a leading telecommunications service provider in Mumbai, while BPL Cellular operates in three service areas - Maharashtra, Tamil Nadu and Kerala where the Group previously did not have operations. The acquisition of BPL Cellular was completed on 2 January 2006 whilst the completion of BPL Mumbai is still subject to regulatory approval.

Hutchison Telecom also announced that Hutchison Essar has entered into a conditional agreement to acquire Essar Spacetel Limited, a company applying for telecommunications services licences in the remaining seven service areas in India to give Hutchison Essar national coverage.

Finally, one of our strategies is to exit markets where we do not have ambitions for growth. In line with this approach, in July 2005 we completed the sale of our operations in Paraguay.

Operations Review

The Group

Turnover for the year from continuing operations was HK$24.4 billion, reflecting the strong growth in our customer base and sustained performance of the average revenue per customer. Most of the Company's subsidiaries reported increased turnover in 2005, with particularly strong growth in India. Excluding the first time consolidation of Partner as a subsidiary, underlying turnover growth from continuing operations was 19.5%.

India contributed 41.0% of Group turnover, whilst Israel contributed 27.1%, Hong Kong contributed 24.8%, Thailand contributed 4.3%, and other segments contributed 2.8%.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") from continuing operations increased to HK$6,450 million and EBITDA margin improved to 26.5%. Margins improved as our business continued to grow in scale. By year-end, our consolidated customer base increased to 16.9 million customers worldwide and I am pleased to report that the customer base now exceeds 20 million. Several of our early stage operations in India started to make a positive contribution to EBITDA and helped improve margins. In addition, the steps taken to reduce the loss before interest, tax, depreciation and amortisation ("LBITDA") in Thailand made a positive impact on EBITDA growth.

The Group's operating profit before disposal of investments and others increased to HK$2,083 million profit in 2005 from HK$144 million loss in 2004. Despite an increase in depreciation and amortisation due to higher levels of investment and the amortisation of intangibles arising from the step up acquisition of Partner, operating profit from continuing operations increased to HK$2,240 million.

Net interest expense increased to HK$1,604 million from HK$1,015 million in 2004, mainly attributable to the first time consolidation of Partner's debt and increased debt following investments in our operations.

Profit before taxation from continuing operations increased to HK$636 million. Current and deferred taxes were HK$434 million resulting in profit for the year from continuing operations of HK$202 million.

The Group recorded a loss from discontinued operations of HK$352 million resulting from the sale of the Group's operations in Paraguay.

As a result of the foregoing, the loss for the year was HK$150 million.

India

We are one of the leading operators in India and in 2005 we made progress both organically and through acquisition to position our business to become one of the major telecommunications companies in the country.

India's mobile market continued to grow at a rapid pace and now provides service to over 65 million customers which is less than 8.0% of the total population. In 2005, we added 4.3 million new customers, taking our customer base up to 11.4 million as at the year-end. BPL separately reported 2.9 million customers as at the end of 2005. The growth which has been replicated across the market, has largely been in the prepaid segment as the introduction of new tariff plans and realignment of existing plans fuelled a significant increase in the market.

Turnover increased by 40.9% to HK$9,996 million which mirrored the strong growth in the customer base resulting from accelerated investment in coverage and realignment of prepaid tariff plans. EBITDA increased to HK$3,237 million, an increase of 47.1% from 2004, and the EBITDA margin increased to 32.4% as we recorded improved margins in Andhra Pradesh, Chennai, Haryana and Rajasthan, in particular. As a result of this strong operating performance, operating profits increased by 87.2% to HK$2,516 million.

> "We are one of the leading operators in India and in 2005 we made progress both organically and through acquisition to position our business to become one of the major telecommunications companies in the country"

We continue to invest to expand our operations in India. In 2005, capital expenditure was HK$2,744 million, compared to HK$2,463 million in 2004 as we continued to reap the benefits of reduced pricing on network related expenditure. We have been adding over 1,600 new cell sites over the last quarter in 2005 and have expanded our coverage of the country to 45% of the population in the licence areas covered. We will continue to extend our coverage in India during 2006 through increased investments.

Indonesia

During 2005, we made a strategic investment to enter the Indonesian mobile market, a market that we view as one of the key markets for growth in Asia.

In July 2005, we acquired a 60% stake in PT. Hutchison CP Telecommunications, a company with both 2G and 3G nationwide spectrum. With our partner, the CP Group of Indonesia, and our network supplier, Siemens, we commenced network roll out in 2005 and expect to launch commercial services during the second half of 2006.

The market fits our investment criteria of offering nationwide spectrum with a migration path to the advanced data services offered by 3G. It is a sizable market of over 217 million people and a penetration level below average for the region. With the introduction of innovative and cost effective services, we are confident that Indonesia will be one of our principal growth businesses in the years to come.

Vietnam

In February 2005, we received an investment licence to engage in a business cooperation agreement with Hanoi Telecommunications Joint Stock Company to build, develop and operate a nationwide mobile telecommunications network in Vietnam.

Vietnam offers a unique opportunity to bring our brand of mobile services to a market with considerable growth potential. With our supplier, Nortel, we are currently building a nationwide CDMA network and expect to launch commercial service sometime in the second half of 2006.

Together with India and Indonesia, we believe Vietnam will provide the Group with the opportunity to deliver strong growth in our future operations.

Hong Kong and Macau

We made great strides during the year to streamline and integrate our fixed-line and mobile businesses in Hong Kong in the face of increasing competition. Difficult decisions were made to improve our financial performance amid the increasingly aggressive environment in both the fixed-line and mobile markets. Measures included the outsourcing of certain functions and a reduction in total staff and we realised the benefits of these measures through an improvement in the financial performance and organisational efficiency of the business.

Hong Kong reported combined turnover of HK$6,041 million and accounted for 24.8% of the Group's turnover. EBITDA increased 42.0% to HK$1,465 million.

Our mobile business in Hong Kong is the leading 3G operator and one of the largest mobile operators in the market. In 2005, we continued our push to bring 3G services to Hong Kong and now have a 3G customer base in excess of 500,000, which continues to deliver a premium revenue stream, helping to grow our revenues in the face of market penetration level in excess of 100%.

Despite intense competition, turnover increased 3.3% to HK$3,837 million, driven by the growing 3G customer base and higher average revenue per user associated with 3G services. EBITDA was HK$769 million, a welcome recovery from HK$362 million in 2004 as the cost initiatives started to show benefit and due to the absence of one-off charges. The EBITDA margin improved to 20.0% in 2005 from 9.7% in 2004. Operating loss for the year was HK$421 million compared to HK$523 million in 2004, an improvement of 19.5%.

Capital expenditure fell to HK$415 million from HK$557 million in 2004.

During 2005, we privatised HGCH which allowed us to further integrate the fixed-line and mobile businesses in Hong Kong.

Turnover for the fixed-line telecommunications business totalled HK$2,204 million, an increase of 17.9% over 2004, as we saw strong growth in international direct dialling, residential broadband and the international and local data business. EBITDA increased to HK$696 million despite incurring one-off charges relating to privatisation and restructuring compared to HK$670 million in 2004 as the cost initiatives started to show benefit. Operating profit was HK$78 million as compared to HK$194 million in 2004 after deducting the one-time gain of HK$1,300 million in 2004. The Group incurred high levels of amortisation as a result of amortising over the enforceable customer contract period.

Capital expenditure was HK$425 million, 39.6% lower than in 2004. This was a result of the completion of the core network infrastructure which now passes in excess of 1.3 million homes.

Israel

In April 2005, Partner completed a buy back of its own shares increasing the Group's interest to over 52% and resulting in Partner becoming a consolidated subsidiary. Partner is and remains an integral part of the Hutchison Telecom Group.

Following its consolidation in April 2005, Partner accounted for 27.1% of the Group's turnover in 2005. Had Partner been consolidated for the full year it would have represented 33.0% of Group turnover on a pro forma basis.

In 2005, the reduction of the interconnect tariffs in Israel by 29.0% posed a great challenge. Partner successfully mitigated the impact and achieved its goal of maintaining EBITDA at the level of 2004 by restructuring tariffs and customer offerings and by reducing costs.

The 3G network was launched towards the end of 2004, and today over 118,000 customers are already enjoying the wide range of 3G services Partner offers. The 3G network roll-out has also continued and has now achieved near-full population coverage. Like our business in Hong Kong, the average 3G customer delivers a premium revenue stream to support our revenue in the face of market penetration levels in excess of 100%.

Partner's total net customers growth in 2005 was around 189,000, demonstrating the ability to continue to grow its business in a highly competitive market. Partner's customer base has now reached approximately 2.5 million customers, the equivalent of an estimated 32% market share.

The turnover contribution from Partner for the nine months ended 31 December 2005 was HK$6,612 million with EBITDA of HK$1,981 million and operating profit of HK$827 million. In addition, the Group reported HK$88 million profit under the equity accounting method for the three months ended 31 March 2005.

Capital expenditure amounted to HK$531 million for the nine months ended 31 December 2005.

Thailand

By taking decisive action to control costs, our operations in Thailand moved closer to EBITDA breakeven, becoming EBITDA positive on a monthly basis by the end of the year. Despite an extremely difficult operating environment we were able to overcome the challenges and we are confident the business is now on a strong base.

Turnover was HK$1,045 million, whilst LBITDA improved from HK$233 million in 2004 to HK$15 million in 2005. We launched a number of initiatives in 2005, including restructuring the organisation and entering into managed services agreements for both the network maintenance and IT operations, which resulted in a positive EBITDA for the last quarter of the year and is expected to have a positive impact in 2006. The operating loss decreased to HK$544 million compared to HK$1,079 million in 2004.

The customer base increased by 19.0% to 732,000.

Capital expenditure reduced to HK$282 million from HK$876 million in 2004 as we reached the end of the roll out phase of the network build out.

Others

During 2005 we refocussed our business in Sri Lanka, boosting our investment nearly six-fold in 2004. This reflects our confidence in the market's potential and the opportunity that exists to grow the business.

We also increased our capital investment in the Group's business in Ghana and we are excited to see the opportunities for growth that this market offers in 2006.

Following the privatisation of HGCH, we now report its subsidiaries, Vanda Systems & Communications Limited, the IT solutions business, and PowerCom Network Hong Kong Limited ("PowerCom"), a provider of internet access and communication services, separately to properly reflect the telecommunications and non-telecommunications portion of the businesses.

Operating losses increased to HK$304 million after including the corporate office expenses and operating losses from Ghana and PowerCom.

Outlook

The coming year is expected to be a year of substantial investment for the Group. We anticipate investing in the order of HK$13.5 billion to HK$14.5 billion in capital expenditure to expand our operations. Much of the investment will be in India where we have earmarked between HK$9 billion and HK$10 billion to double the size of the network. This will be used not only to expand the existing operations but will also be invested in the operations acquired through BPL. We plan to invest in operations upon completion of the licence applications in the remaining areas where we presently do not operate and we will add more backbone capacity.

> "The coming year is expected to be a year of substantial investment for the Group"

We plan to invest in aggregate HK$2.0 billion to HK$3.0 billion in Indonesia and Vietnam during 2006. The balance of the investment is planned for the 3G network in Israel and maintenance expenditure across the remainder of our businesses.

Our depreciation and amortisation charge will be higher in 2006 reflecting this higher level of investments.

We remain confident of double-digit mobile customer growth that will again lead to double-digit turnover growth. We expect this to support an improvement in the Group's consolidated EBITDA and EBITDA margins although it will be offset partially by the planned commencement of operations in Indonesia and Vietnam in 2006, as start up costs make an impact on the Group. Overall we consider that the Group is well positioned in 2006 to take advantage of the opportunities in its respective markets.

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, 9 March 2006