



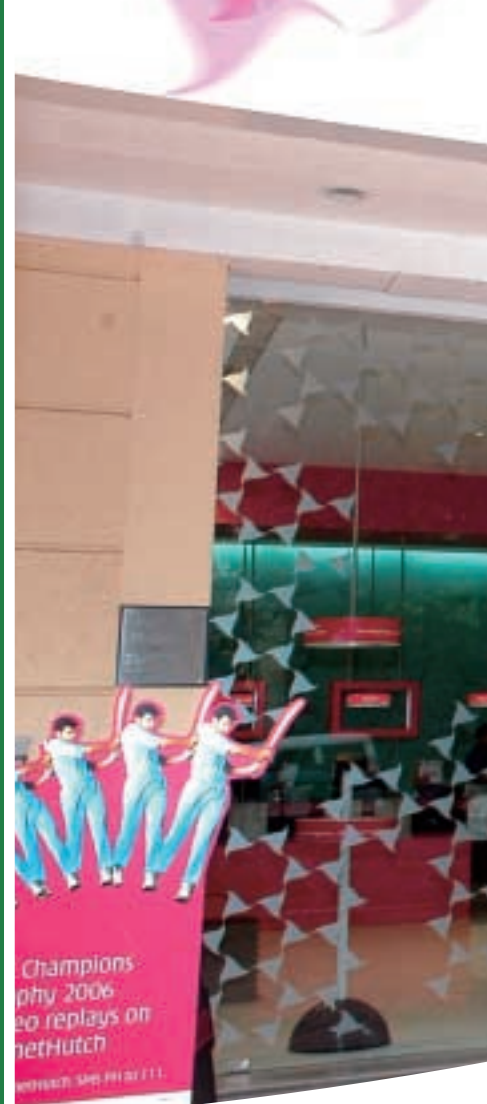
Telecommunications

The Group's telecommunications division consists of a 49.7% interest in Hutchison Telecommunications International ("HTIL"), which is listed on the Stock Exchange of Hong Kong and the New York Stock Exchange, and the 3 Group businesses.



Telecommunications

HTIL holds the Group's interests in 2G and 3G mobile operations in Hong Kong, Macau, Israel and Indonesia, 2G mobile operations in India and Sri Lanka, CDMA2000-1X operations in Thailand, Vietnam and Ghana, and a Hong Kong fixed-line operation. The 3 Group is one of the world's leading operators of 3G mobile telecommunications technology with 3 branded businesses in seven countries in Europe and Australia.



Hutchison Telecommunications International

HTIL announced full-year turnover of HK\$33,378 million, a 37% increase over last year. HTIL's profit attributable to shareholders for the year was HK\$201 million, compared to a loss attributable to shareholders of HK\$768 million in 2005. This turnaround of 126% to a profit position is mainly due to the strong growth in its mobile operations in India and Israel, the improved performance of the Hong Kong and Macau mobile operations and reduced losses incurred by the operations in Thailand. This was partially offset by start-up losses of the Vietnam and Indonesia businesses. At 31 December 2006, HTIL had a consolidated mobile customer base of 29.6 million, representing a 75% increase over the beginning of the year. The Group's share of HTIL's turnover and EBIT amounted to 8% and 6% of the total revenue and EBIT of the Group's established businesses respectively.

Subsequent to the year-end, HTIL announced on 12 February 2007 that it had entered into an agreement to sell its entire interest in its mobile business in India, for a consideration of approximately US\$11,080 million (approximately HK\$86,570 million).

“At 31 December 2006, HTIL had a consolidated mobile customer base of 29.6 million, representing a 75% increase.”

The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the first half of this year. HTIL further announced that it intended to declare a special dividend of HK\$6.75 per share after completion. The Group's share of the HTIL's profit from disposal on completion of the transaction is estimated to be approximately HK\$36,500 million and its share of special cash dividend will be HK\$15,976 million.

the HUTch Shop



the HUTch Shop



Hutchison Essar becomes a national mobile telecommunications operator in India.

In India, HTIL's 2G mobile customer base grew 104% during the year to 23.3 million. Turnover increased 55% to HK\$15,455 million and EBITDA after deducting all CACs increased 51% to HK\$4,900 million.

In Israel, HTIL's 51.1%-owned Partner Communications ("Partner") announced revenues of US\$1,327 million, a 9% increase, and profit attributable to shareholders of US\$162 million, a 92% increase, primarily due to the sustainable growth in the customer base and the acquisition of high quality customers, increased contribution from data usage and the reduction of interest expenses, which was significantly higher in 2005 due to non-recurring finance costs incurred in the restructuring of debts. At 31 December 2006, Partner had 2.7 million 2G and 3G customers, including a 3G customer base which increased by 168% during the year to approximately 276,000 customers as at 31 December 2006. Partner is listed on the stock exchanges of Tel Aviv, London and Nasdaq.

In Hong Kong and Macau, the mobile operations' combined turnover increased 9% to HK\$4,199 million and Reported EBITDA, after expensed prepaid CACs, increased 75% to HK\$1,349 million. Combined

customer base totalled 2.1 million as at 31 December 2006. The healthy increase in financial performance reflects the full-year benefits realised from the restructuring and rationalisation exercise undertaken during 2005 to increase efficiency and realise cost savings. The mobile business in Hong Kong is the leading 3G operator and one of the largest mobile operators with a 3G customer base now in excess of 800,000. With the launch of High Speed Downlink Packet Access ("HSDPA") on its 3G network in 2006, the growth momentum of the 3G customer base is expected to continue.

In Hong Kong, the fixed-line telecommunications business continued to grow, particularly the residential broadband service. Turnover was HK\$2,406 million in 2006, a 9% increase from 2005 and EBITDA was HK\$874 million, a 26% increase from last year, reflecting benefits from last year's cost-saving initiatives and the growth in international and local data services and residential broadband services.

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In Thailand, despite a competitive and challenging environment, the business achieved positive EBITDA after deducting all CACs through streamlining the operations and cost controls. Turnover was HK\$1,017 million and EBITDA after deducting all CACs was HK\$57 million in 2006, an improvement of 480% from a comparable LBITDA of HK\$15 million in 2005.

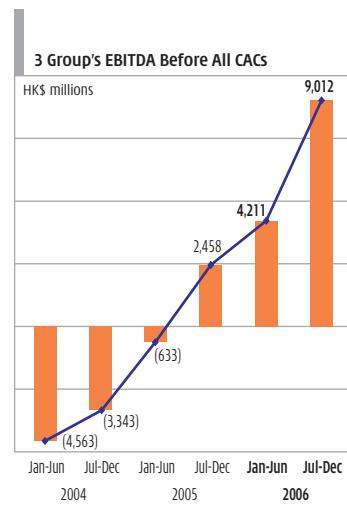
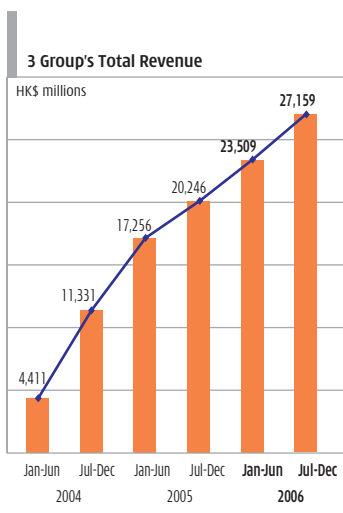
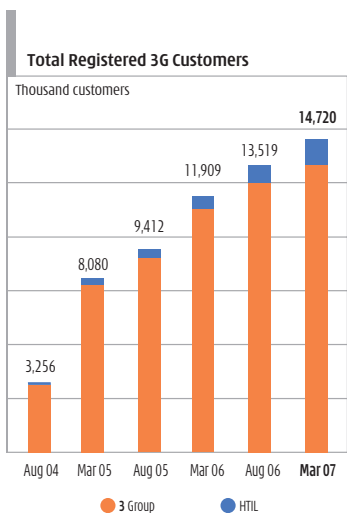
In Sri Lanka and Ghana, both businesses achieved healthy growth in their customer base through the expansion of their network coverage and enhancement of network quality. This growth momentum is expected to continue in 2007.

In Vietnam, HTIL has an investment licence to engage in a business cooperation with Hanoi Telecommunication Joint Stock Company to operate a nationwide mobile telecommunications network. The operation has recently commenced offering commercial services.

In Indonesia, HTIL has a 60% interest in PT Hutchison CP Telecommunications, which owns a nationwide licence to provide 2G and 3G services. Network rollout is in progress and commercial services are being launched.

3 Group

	2006 HK\$ millions	2005 HK\$ millions	% change
Total Revenue	50,668	37,502	+35%
LBIT	(19,996)	(36,280)	+45%



Partner expands its service centres' network across Israel.

HT Mobile in Vietnam introduces one-stop sales and customer service centres as well as self-service downloading counters.



“The 3 Group reported total revenue of HK\$50,668 million, a 35% increase from 2005.”

The 3 Group comprises the 3G mobile operations in Italy, the UK, Ireland, Australia, Sweden, Denmark and Austria, and holds a licence for the development of a 3G network in Norway.

During the year, the 3 Group continued to grow their customer and revenue bases and reduce operating losses and cash outflows by focusing on the acquisition and retention of higher-value contract customers, reducing churn and offering new higher-margin value-added services to maintain their 3G market leading positions. The Group's registered 3G customer base (including the 3G customers of Hong Kong and Israel) grew 30% during the year to 14,346,000 at 31 December 2006 and currently stands at 14,720,000. The proportion of active customers of the registered customer base was approximately 79% at the end of the year. All seven of the 3G mobile operations within the 3 Group increased their respective market shares in 2006 led by 3 Italia, with an estimated market share of 9%, 3 Australia with 6% and 3 UK with over 5%, measured by customer numbers. Average revenue per user on a trailing 12-month average active customer basis (“ARPU”) increased 8% in 2006 to €45.63, reflecting the improved quality of the 3 Group's customer base with the proportion of the lower-risk, higher-value contract customers increasing from 40% last year to 45% at the end of 2006. Competition for new customers continued to be strong in all of the 3 Group's markets and during the year, the 3 Group increased its usage of promotional discounts on contract tariff plans. The use of promotional

discounts, which averaged below 4% of ARPU in 2006, is anticipated to increase for contract customers in 2007 in response to intensifying specific market competition. As a result of the growth in both customer base and ARPU, the 3 Group reported total revenue of HK\$50,668 million, a 35% increase from 2005. EBITDA before all CACs improved 625% to HK\$13,223 million.

Higher-margin non-voice revenues continued to grow as a percentage of ARPU. Average non-voice revenue per user as a percentage of ARPU for 2006 increased to 30%, compared to 25% for 2005. Our expanding range of value-added services have become increasingly popular with our customers and non-voice service revenues are expected to be further enhanced with the recently launched X-Series portfolio of services. In strategic alliances with key Internet players such as Skype, Sling Media, Yahoo!, Google, eBay, Microsoft, Orb amongst others, the X-Series portfolio of services allow 3 customers to effectively use their mobile phones in the same way as they use their home personal computer broadband service. With a flat-access fee similar to fixed-line broadband, customers can enjoy unlimited usage of the most popular Internet applications anywhere and anytime. In addition, customers can access their home computer and watch programmes of their choice from their home television remotely via their handsets. This new charging structure overturns the traditional mobile telephony model of charging per minute, per message and per click and is made possible by the rapid development of our Internet Protocol capable mobile network, HSDPA network upgrades and other efficiency improvements. Our networks are in various stages of upgrading for the HSDPA mobile broadband capability standard which supports data downlink transmission speeds of up to 3.6 Megabits per second or almost six times faster than current standards. This upgrade has the additional benefit of increasing network capacity by up to four times. Competitively priced high-speed HSDPA handsets, data cards and other wireless broadband access devices are becoming more widely available and are currently offered in our markets.

The 3 shop in Milan, Italy is decorated with festive celebrations during Christmas.



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Despite intensifying competition in all markets, the 3 Group reduced average monthly customer churn from 3.2% in the first half to 2.6% in the second half, resulting in a full-year average of 2.9% for 2006. Management continues to focus on reducing churn through changing marketing and sales strategies according to the various markets' needs, increasing customer satisfaction with the quality of our networks, developing new service offerings and offering a full range of leading-edge handsets and other mobile devices.

Margins also continued to improve due to the economies of scale from a larger customer base, stringent controls over operating costs and outsourcing the operational management of the network infrastructure.

Although the proportion of customers acquired or retained on contracts, for which the acquisition costs are typically higher than for prepaid customers, was significantly higher compared to last year, total CACs reduced by 12% in 2006 to total HK\$20,717 million, primarily due to the lower unit cost to acquire a customer that averaged €250 per customer in 2006, compared to the €293 for 2005. This favourable declining trend of average acquisition cost has resulted primarily from the lower cost of handsets negotiated.

LBITDA after deducting all CACs for the 3 Group reduced significantly, to HK\$7,494 million, which, compared to HK\$21,717 million in 2005, represented a 65% improvement. All the 3 Group's operations improved, particularly 3 Italia, which reported its first full-year positive EBITDA after deducting all CACs, and also 3 Australia, which reported positive EBITDA after deducting all CACs on a sustainable monthly basis starting in July. As such, monthly revenues generated by these two businesses now cover their operating costs and also the costs of

growing their customer bases and recurring revenue streams.

As a whole, the 3 Group's target is to achieve positive EBITDA after deducting all CACs on a sustainable monthly basis in the first half of 2007.

The Group's accounting policy, consistent with the current interpretation of Hong Kong Financial Reporting Standards and last year's policy, is to expense prepaid CACs and to capitalise contract CACs, which are amortised and charged to the profit and loss account over the duration of the customer contract period, generally 12 to 24 months. Prepaid CACs reduced significantly during the year by 52% to total HK\$5,494 million compared to HK\$11,444 million last year, reflecting the focus during the year on acquiring the higher-value contract customers. As a result, the positive full-year Reported EBITDA, after expensed prepaid CACs, amounted to HK\$7,729 million, a 180% turnaround from the comparable LBITDA of HK\$9,619 million in 2005.

Depreciation and amortisation, which includes the amortisation of licence fees, other rights and capitalised contract CACs, increased 4% to HK\$27,725 million in 2006, primarily due to the larger fixed asset base from expanded networks and higher amortisation charges on capitalised contract CACs from the enlarged contract customer base. The resultant LBIT for the 3 Group totalled HK\$19,996 million, a 45% reduction from the HK\$36,280 million reported last year.

The 3 Group's capital expenditure, which was approximately HK\$11,559 million in 2006, reduced 18% compared to the HK\$14,051 million in 2005.



The X-Series from 3, launched on the UK network in December 2006, enable customers to make unlimited Skype to Skype calls for free.

3 Ireland opens its first mobile media store on the main shopping street in the heart of Cork.



Key Business Indicators

Key business indicators for the 3 Group and HTIL's 3G businesses are:

	Customer Base					
	Registered Customers at 21 March 2007 ('000)			Registered Customer Growth (%) from 31 December 2005 to 31 December 2006		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	5,365	1,825	7,190	18%	65%	27%
UK & Ireland	1,583	2,333	3,916	4%	22%	14%
Australia ⁽¹⁾	151	1,170	1,321	59%	96%	90%
Sweden & Denmark	94	628	722	-19%	64%	46%
Austria	120	306	426	16%	44%	35%
3 Group Total	7,313	6,262	13,575	15%	47%	28%
Hong Kong ⁽²⁾	15	804	819	500%	61%	63%
Israel ⁽¹⁾	-	326	326	-	167%	167%
Total	7,328	7,392	14,720	15%	51%	30%

	Customer Revenue Base					
	Revenue for the 12 months ended 31 December 2006 ('000)			Revenue Growth (%) compared to the 12 months ended 31 December 2005		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	€1,144,071	€927,765	€2,071,836	16%	61%	33%
UK & Ireland	£147,123	£1,372,496	£1,519,619	-23%	50%	37%
Australia	A\$65,198	A\$783,718	A\$848,916	87%	75%	76%
Sweden & Denmark	SEK55,668	SEK2,577,177	SEK2,632,845	1%	41%	40%
Austria	€6,842	€165,077	€171,919	-9%	32%	30%
3 Group Total	€1,412,163	€3,857,230	€5,269,393	9%	53%	38%

	12-month Trailing Average Revenue per Active User ("ARPU") ⁽³⁾ to 31 December 2006					
	Total			% Variance compared to 31 December 2005	Non-voice	
	Prepaid	Postpaid	Blended Total		ARPU	ARPU %
	Local Currency/HK\$			Local Currency/HK\$		
Italy	€25.38	€58.41	€33.99/332	-3%	€11.84/116	35%
UK & Ireland	£18.07	£56.05	£46.57/670	35%	£13.44/193	29%
Australia	A\$44.24	A\$74.16	A\$70.50/413	-10%	A\$17.22/101	24%
Sweden & Denmark	SEK61.71	SEK460.24	SEK404.33/430	6%	SEK83.95/89	21%
Austria	€17.98	€55.47	€51.22/501	-5%	€9.43/92	18%
3 Group Average	€25.23	€64.77	€45.63/447	8%	€13.70/134	30%

Note 1: Active customers as at 31 December 2006 announced by listed subsidiary HTAL and listed associate Partner Communications updated for net additions to 21 March.

Note 2: Customers as announced by listed associate HTIL as at 20 March.

Note 3: ARPU equals total revenue before promotional discounts and excluding handset and connection revenues, divided by the average number of active customers during the year, where an active customer is one that has generated revenue from either an outgoing or incoming call or 3G service in the preceding three months.

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Italy

3 Italia, in which the Group has a 95.4% interest, continued to improve its market share at a steady pace. The registered customer base increased by 27% in 2006 to total 7.08 million at 31 December 2006 and currently stands at 7.19 million. Active customers as a proportion of the total registered customer base was 76% at the end of 2006. Although ARPU declined modestly from €34.87 to €33.99 per month, this ARPU remains at a premium to the Italy mobile market average due to higher than market average spend on non-voice services, which was 35% of ARPU, a five percentage-point increase on the 30% reported for 2005. Revenue, in local currency, grew 33% during the year, reflecting increased revenue from the enlarged customer base.

EBITDA before all CACs, in local currency, was 151% better than last year. In addition, 3 Italia reported its first full-year positive EBITDA after deducting all CACs in 2006. This encouraging performance was achieved by expanding the customer base, maintaining ARPUs and focusing on effective cost control measures.

Customer churn improved from 2.5% per month in 2005 to 2.2% in 2006.

During the year, 3 Italia commenced the offering of Digital Video Broadcast-Handheld ("DVB-H") Mobile Television services, with interactive digital video broadcasting capabilities, providing full content mobility for customers. DVB-H customer base stands at over 400,000 as at 21 March 2007. To further grow its customer base, 3 Italia continued to enhance its network capabilities and has been upgrading its network with HSDPA capabilities which currently extends to approximately 57% of the network and with coverage available in most major cities.

UK and Ireland

The combined registered customer base of wholly-owned subsidiaries, 3 UK and 3 Ireland, where its 3G business is still at a relatively early stage of development, has grown steadily by 14% from 31 December 2005 to 3.9 million at 31 December 2006 and currently is at approximately the same level. The moderate growth in the overall combined customer base is attributable to the strategy of focusing more on higher-value contract customers, which grew by 22% during the year, and limiting activity in the prepaid customer market. The benefit of this strategy can be seen in the improved ARPU, which increased 35% from £34.51 in 2005 to £46.57, reflecting the improving quality of the customer base and 3 UK's ARPU continued to be above the UK mobile market average. In addition, active customers as a proportion of the combined registered base was 75% at 31 December 2006. Another encouraging trend is the increase in higher-margin non-voice revenue which rose to 29% of combined ARPU, compared to 23% in 2005. Combined revenue, in British pounds, grew 37% during the year, reflecting the ARPU improvement and larger customer base.

Customer churn, which prudently includes the potential disconnection of inactive prepaid customers currently on the registered customer base, has continued to decline relative to the first-half. Churn for the second-half averaged 3.8% per month compared to 6.0% in the first-half of the year, resulting in average churn for the year of 4.9%.

Despite intense competition, 3 UK and 3 Ireland achieved positive combined EBITDA before all CACs, an 817% turnaround from the comparable LBITDA last year. In addition, the 3 UK business reported a HK\$ 1,731 million foreign exchange gain arising from the partial repayment of a non-Sterling denominated intercompany borrowing which was refinanced by the issuance of £700 million long-term Sterling notes and bank loans of £300 million which provide a natural currency hedge against 3 UK's revenue stream and underlying assets.

3 Austria's special campaign "platinblond" connects Sony Ericsson W850i with Christina Aguilera's concert in Vienna, December 2006.



The rollout of HSDPA across the 3 UK network is being phased to provide coverage in major cities in the latter half of this year. In addition, 3 UK recently announced that its network has reached 90% population coverage.

Australia

The Group's 57.8% owned listed subsidiary in Australia, Hutchison Telecommunications Australia ("HTAL"), announced 90% growth of its active customer base from 31 December 2005 to approximately 1,245,000 at 31 December 2006 and currently stands at approximately 1,321,000 active customers. The growth in the customer base was due to the combined effect of the pro-active migration of customers from its 2G CDMA network, which was closed in August, to its 3 network as well as customer additions during the year. HTAL announced revenue from its 3G operations of A\$849 million, 76% better than 2005. ARPU declined 10% to A\$70.50 per month in 2006, mainly due to dilution impact of its ex-CDMA customers who historically have spent less on non-voice services. The higher-margin non-voice ARPU remained in line at A\$17.22 per month and represented 24% of ARPU in 2006. The HSDPA network upgrade has been progressing well and coverage is now available in Sydney and Brisbane. The upgrade of the full network is expected to complete soon.

Other 3 Group Operations in Europe

In Sweden and Denmark, in which the Group has 60% interest, the combined registered customer base grew 46% to total 671,000 at 31 December 2006 and currently totals 722,000. ARPU increased 6% from SEK382.90 to SEK404.33 (HK\$430). The proportion of revenue from the higher-margin non-voice services increased from 16% of ARPU in 2005 to 21% in 2006. Combined revenue, in Swedish Kronas, increased by 40% compared to 2005. As a result of the higher revenue, the operation in Sweden achieved its first full-year positive EBITDA before all CACs, offset by the start-up losses in Denmark. In addition, a foreign exchange gain of HK\$428 million arising from the Group's refinancing of bank loans denominated in Swedish Kronas was reported. The HSDPA upgrade of the networks is progressing well. The upgrade is completed in Denmark and over 30% of the network in Sweden has been upgraded.

The registered customer base of wholly-owned subsidiary 3 Austria increased by 35% during 2006 to 407,000 at 31 December 2006 and currently totals 426,000. ARPU declined 5% from €53.92 in 2005 to €51.22. The proportion of revenue from the higher-margin non-voice services increased from 14% of ARPU in 2005 to 18% in 2006. Revenue, in local currency, increased by 30% compared to 2005 and LBITDA before all CACs reduced by 82% to an almost breakeven position. The HSDPA upgrade of the existing network has been completed.

INTEREST EXPENSE, FINANCE COSTS AND TAX

The Group's interest expense and finance costs for the year, including its share of associated companies' and jointly controlled entities' interest expense amounted to HK\$20,346 million, an increase of 12%, mainly due to higher effective market interest rates. Further information on these expenses can be found in the "Group Capital Resources and Liquidity" section on page 56 of the annual report.

The Group recorded current and deferred tax charges totalling HK\$7,151 million for the year compared to a net charge of HK\$866 million in 2005. In 2005, the tax benefit of that year's tax losses, which can be carried forward indefinitely, was recorded as a deferred tax credit in the profit and loss account. No such deferred tax credits were recognised in 2006.

SUMMARY

The 2006 results reflect the overall growth in the Group's established businesses, the improved financial performance of the 3 Group, the profit on a strategic disposal transaction and the conservative financial profile of the Group. In 2007, the established businesses will continue to invest in expansion opportunities, mainly through organic growth, to sustain steady growth. The 3 Group will continue to improve its financial performance and is targeting to achieve overall positive EBITDA after deducting all CACs on a sustainable monthly basis in the first half of 2007.

The 2006 results were achieved through the concerted efforts and the focused dedication of the Group's employees and I would like to join our Chairman in thanking them for their continuing support and hard work throughout the year.

Fok Kin-ning, Canning

Group Managing Director

Hong Kong, 22 March 2007