2006 marked a turning point for Hutchison Telecom with most of our businesses exceeding our expectations. As a result I am delighted to report excellent results for the year with the first profit attributable to equity holders of just over HK$200 million. In particular we saw strong operating results from both India and Israel, a welcome return to operating profit at the mobile business in Hong Kong and a further reduction in the operating loss from Thailand.

Building on the foundation we established last year, our mobile customer base has continued to grow at a robust pace. At the end of December 2006, our customer base was nearly 30 million, representing year-on-year growth of 75%. This growth drove the underlying increase in the Group's turnover and profits.

I am particularly pleased to report on the proposed sale of the Group's interests in India, an excellent example of our strategy of creating value in emerging mobile markets and realising that value for the benefit of shareholders at the right time. Against a backdrop of a rapidly increasing customer base, we saw a substantial increase in the value of our business in India, which attracted some of the world's leading mobile operators to approach and ultimately make an offer for the Group's entire interests in its Indian mobile telecommunications operation comprising Hutchison Essar Limited and its subsidiaries ("Hutchison Essar"). As a result the Board of Directors recommended that shareholders accept an offer from Vodafone that valued the Group's interests at approximately HK$86,570 million (approximately US$11,080 million). Having built one of the most successful, respected and valuable businesses serving India's growing telecom market, we are delighted to have been able to achieve a substantial return on the Group's investment at a significant premium. The sale is conditional on our shareholders' approval (which has already been obtained) and Indian regulatory approvals.

The Board has announced its intention to declare a special dividend of HK$6.75 per share on completion of the sale, a level that exceeds the offer price of the Group's shares at listing less than 2-1/2 years ago.

Having built an excellent group of businesses in several dynamic markets we are confident that the businesses will continue to drive growth in 2007. This year will mark the launch of operations in Vietnam and Indonesia, which promise to be exciting new markets. In addition, on completion of the sale of our interests in India, Hutchison Telecom will be amongst the best capitalised telecoms companies in the region and well placed to continue to exploit opportunities as they arise. I am confident that 2007 will continue to be a year of investment to further strengthen our position and take advantage of opportunities.

Results

The Group's audited profit attributable to equity holders for the year was HK$201 million compared with a loss of HK$768 million in 2005. We have continued the progress reported in our interim results for 2006 and can now report basic earnings of HK$0.04 per share in the full year compared with a loss of HK$0.17 per share in 2005.

The Company did not declare any dividends for the year ended 31 December 2006.

Group Review

Financial results for the year ended 31 December 2006

Turnover from continuing operations increased 37.0% to HK$33,378 million in 2006, compared with HK$24,356 million in 2005, driven by growth in our customer base.

We again recorded a substantial increase in turnover from India, which contributed 46.3% of the Group's turnover. Turnover from Israel represented 29.3%, whilst Hong Kong and Macau accounted for 19.8% (of which mobile operations accounted for 12.6% and fixed-line operations 7.2%).

In 2006 the Group increased its reported Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") by 56.2% to HK$10,077 million, compared with HK$6,450 million in 2005. Excluding start-up operations, all of the Group's businesses recorded an increase in EBITDA, with particularly strong contributions from India and Israel. There was a strong increase in EBITDA from the mobile operations in Hong Kong and the first positive EBITDA recorded by the operations in Thailand. This was offset in part by start-up losses in Vietnam and Indonesia. As a percentage of turnover, EBITDA was 30.2% in 2006, compared with 26.5% in 2005.

Higher levels of investment led to higher depreciation but this was not enough to negate strong growth in operating profits, which increased to HK$5,045 million in 2006 from HK$2,154 million in 2005. Our mobile operations in Hong Kong returned to a positive operating profit of HK$247 million compared with a loss in 2005, reflecting continued progress in management initiatives begun in 2005.

Profit before taxation from continuing operations increased to HK$2,402 million from HK$636 million in 2005 despite increased interest charges resulting from higher levels of debt incurred in connection with increased investment plus several acquisitions made during the year.

The rate of increase in taxation expenses to HK$826 million in 2006 was not as great as the rate of increase in profit before taxation. This was due to the application of tax losses from India and the Hong Kong mobile operations against taxable profits generated in those markets during the year. As a result of the foregoing, profit from continuing operations was HK$1,576 million in 2006 compared with HK$202 million in 2005.

> "Having built an excellent group of businesses in several dynamic markets we are confident that the businesses will continue to drive growth in 2007"

Operations Review

India

2006 was a landmark year for Hutchison Essar.

The year commenced with the acquisition of Hutchison Essar Cellular Limited ("HECL", formerly BPL Mobile Cellular Limited) which added a further three circles - Kerala, Maharashtra and Tamil Nadu - to the 13 licence areas already operating.

In October 2006 Hutchison Essar's customer base surpassed 20 million and ended the year at 23.3 million, an increase of 11.9 million customers in 2006 (which included 1.5 million customers acquired through HECL).

Unfortunately the acquisition of BPL Mobile Communications Limited ("BMCL") did not conclude due to the failure of the vendor to complete the transaction resulting in the matter being referred to arbitration.

In October 2006, Hutchison Essar completed the acquisition of Essar Spacetel Private Limited ("Spacetel"), a company that had licence application for the licence areas of Madhya Pradesh, North East, Himachal Pradesh, Bihar, Orissa, Assam, and Jammu and Kashmir. In December Spacetel obtained licences in six of these new circles. The only remaining pending licence, for the circle of Madhya Pradesh, was obtained in the first quarter of 2007. Hutchison Essar now has licences for all 23 licence areas in India positioning it to go to full nationwide coverage.

The increase in the Foreign Direct Investment cap to 74% in November 2005 provided the backdrop for the Group to consolidate its interest in Hutchison Essar. This occurred through the reorganisation of our holding companies in March

2006, which was followed by the acquisition of an indirect interest in IndusInd Telecom Network Limited (subsequently renamed Omega Telecom Holdings Private Limited), which holds 5.11% of Hutchison Essar, in August 2006.

Growth in the India business remains healthy despite continued competition in the market and some downward pressure on pricing. The Indian market has gone through a record period of customer growth with market net additions exceeding those of China towards the end of the year. This was driven by the rapid expansion of networks by all operators, including Hutchison Essar, and through attractive product offerings. The lifetime validity card and the introduction of other longer term validity prepaid products were amongst many tariff initiatives introduced by Hutchison Essar which resulted in growth being predominantly in prepaid. Nonetheless, ARPU during the year has remained relatively stable as usage trended upwards.

Turnover increased 54.6% to HK$15,455 million from HK$9,996 million in 2005. This mirrored the strong growth in Hutchison Essar's customer base, which was the result of accelerated investment in the network and acquisition of additional telecommunications licence areas during the year.

EBITDA was HK$4,900 million in 2006 compared with HK$3,237 million in 2005. This represented an EBITDA margin of 31.7%, reflecting improvement in the EBITDA margin of the existing 13 licence areas to 33.3% compared with 32.4% in 2005 despite an accelerated rollout resulting in the recognition of additional operating costs prior to revenue realisation. This was offset in part by a lower EBITDA margin of 14.1% in the newly acquired HECL licence areas.

As a result of this strong operating performance, operating profit before disposal of investments and others was HK$3,628 million in 2006, an increase of 48.7% compared with HK$2,440 million in 2005.

Investment in Hutchison Essar's network continued to be strong during the year and resulted in the doubling of the network to 22,075 cell sites. As a result, capital expenditure on fixed assets increased to HK$7,016 million, although this amount was somewhat lower than we had originally forecast due to lower capital expenditure in HECL and delays in the receipt of licences.

Hong Kong and Macau

The Group is one of the leading mobile and fixed-line telecommunications operators in Hong Kong.

Combined turnover from the Group's fixed and mobile businesses in Hong Kong and Macau was HK$6,605 million in 2006. EBITDA from Hong Kong and Macau was HK$2,223 million in 2006, with an EBITDA margin of 33.7%.

Hong Kong Mobile

Competition continued to be intense in Hong Kong but the business fared well as it reaped the benefits of initiatives begun during 2005 and implemented stringent cost controls. Overall we were pleased to see the business recover and return to a positive operating profit, and we believe it is now well positioned to continue that progress in 2007.

Turnover increased 9.4% to HK$4,199 million in 2006 compared with HK$3,837 million in 2005. The increase was mainly driven by healthy growth in ARPU from 3G contract customers.

EBITDA was HK$1,349 million, up 75.4% compared with HK$769 million in 2005. This represented an EBITDA margin of 32.1% in 2006 compared with 20.0% in the previous year, mainly due to revenue growth and an improved operating cost structure which was the product of a number of cost-saving initiatives launched in 2005, including savings from the outsourcing of network maintenance, information technology and call centre operations.

As a result of this strong operating performance, operating profit increased to HK$247 million from a loss of HK$420 million in 2005.

Capital expenditure on fixed assets remained under strict control at HK$284 million representing 6.8% of turnover.

Hong Kong Fixed

The market for fixed-line services in Hong Kong saw some improvement in 2006 as some of the wholesale and retail prices began to firm against a backdrop of continued volume growth.

Turnover was HK$2,406 million, an increase of 9.2% compared with HK$2,204 million in 2005, with growth particularly strong in international and local data services and residential broadband services.

EBITDA was HK$874 million in 2006 compared with HK$696 million in 2005. This represented a strong improvement in the EBITDA margin to 36.3% compared with 31.6% in 2005, reflecting an improved operating cost structure resulting from a number of cost-saving initiatives launched in 2005 as well as growth in data services and broadband services.

As a result of the foregoing, operating profit increased over threefold to HK$259 million in 2006.

Capital expenditure on fixed assets remained closely monitored and was in line with our expectations at HK$466 million.

Israel

2006 was another very strong year for Partner Communications Company Ltd. ("Partner"), with the company again achieving record profitability levels.

Partner's net total customer growth in 2006 was approximately 140,000, 71% of which was accounted for by growth in the business sector. The total customer base stood at approximately 2.7 million at year-end, with the 3G customer base accounting for more than 10% of the total, providing important revenue streams to support future revenue growth. Partner was also awarded two new telephony licences during 2006 - for transmission and fixed-line telephony - which will be instrumental in the next stage of broadening the portfolio of services offered to customers.

Partner's turnover in 2006 increased to HK$9,796 million from HK$6,612 million in 2005. As the Group only began consolidating Partner's results from 1 April 2005, on a like-for-like basis that includes Partner's turnover during the first quarter of 2005, Partner's turnover in 2006 increased by 12.0% over 2005. This increase reflected growth in the customer base as well as in the average minutes of use, offset by a reduction in the average tariff per minute, which was primarily explained by the effect of a Ministry of Communications-mandated reduction in interconnection tariffs in March 2006 and greater competition in the market. Data and content revenues (including SMS messages) increased over 30%, accounting for 9.4% of total revenues in 2006, compared with 7.9% in 2005.

EBITDA in 2006 increased to HK$3,179 million from HK$1,981 million in 2005. This represented an EBITDA margin of 32.5% in 2006 compared with 30.0% in 2005. On a like-for-like basis that includes Partner's EBITDA during the first quarter of 2005, Partner's EBITDA in 2006 increased by 18.4% compared with 2005, explained mainly by the increase in turnover, as well as lower depreciation costs, lower government royalty expenses, and the implementation of efficiency measures.

As a result of this stronger operating performance, operating profit before disposal of investments and others increased to HK$1,708 million in 2006 compared with HK$832 million in 2005. This represented 34.2% of the Group's operating profit before disposal of investments and others.

Vietnam

In January 2007, we announced the launch of HT Mobile, Vietnam's newest nationwide mobile communications service operator. HT Mobile operates the leading CDMA2000 1XEV-DO network in Vietnam under an investment licence granted to our business co-operation partnership with Hanoi Telecommunications Joint Stock Company in February 2005. In the fourth quarter of 2006, we opened three exclusive flagship shops and added major dealer shops in key cities for a friendly user trial.

Vietnam is one of the most vibrant and high growth economies in the region. HT Mobile's launch marks a significant step forward towards Hutchison Telecom's vision of achieving growth through investment in high potential markets. HT Mobile will provide Vietnamese customers with advanced wireless voice and high-speed multi-media data services, flexible call plans and a wide choice of handsets. With a young and technology-savvy population in the country, the demand for value-added voice and high-speed multi-media data services is growing exponentially. Leveraging Hutchison Telecom's experience and resources in global procurement, content development and technology deployment, HT Mobile is well-positioned to become one of the fastest growing operators in Vietnam.

> “2006 was another very strong year for Partner, with the company again achieving record profitability levels”

Indonesia

We made a strategic investment in July 2005 to enter the Indonesian mobile market in July 2005, a market we view as one of the key markets for growth in Asia, by acquiring a 60% stake in PT. Hutchison CP Telecommunications, a company with both 2G and 3G nationwide spectrum. We expect to launch commercial services in March 2007.

The Indonesian 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 245 million people and has penetration levels below average for the region.

The key milestone achieved to date is complete operational launch readiness. We believe we are well prepared for commercial launch on 30 March 2007.

During 2006 efforts were made to contain start-up losses through implementation of a very tight operating cost structure with a majority of cross-functional business elements outsourced to leading global service providers. Cost structures have been aligned to grow with future revenue growth. The network roll-out is further supported by a vendor financing facility.

With the introduction of innovative and cost effective services, we are confident that Indonesia will be one of our principal growth markets in the years to come.

Thailand

Considerable work has been undertaken since the end of 2005 to streamline our Thai operations and to reorient the business focus to better address the market. Our focus has been on managing the profitability of the customer base. The Group's Thai operations are realising the benefits of these measures in improved financial performance and improved organisational efficiency. In 2006 Thailand reached the milestone of becoming EBITDA positive.

A sharp increase in promotional offers introduced at the beginning of 2006 contributed to significant tariffs reductions in the industry. This price war amongst operators was on-going throughout 2006. Our postpaid customer base decreased slightly whereas our prepaid customer base increased which had an impact on turnover. Despite the difficult operating environment, our strategy enabled us to experience less of a decline in ARPU than our competitors in Thailand.

Turnover was HK$1,017 million in 2006, compared with HK$1,045 million in 2005 reflecting extremely aggressive competition in the market and increase in the ratio of prepaid customers compared with postpaid customers.

EBITDA was HK$57 million in 2006 compared with a Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA") of HK$15 million in 2005. This represented an EBITDA margin of 5.6% in 2006, reflecting success in improving the operating cost structure of the business as initiatives launched in 2005 began to yield results.

As a result of the foregoing, operating loss was reduced to HK$501 million in 2006 compared with HK$544 million in 2005.

Others

"Others" for 2006 was comprised of Sri Lanka, Ghana, Indonesia, Vietnam and Corporate, as well as the non-telecommunications businesses of Vanda IT Solutions & Systems Management Limited ("VISS") in Hong Kong, the People's Republic of China, Malaysia and Singapore up to July 2006, when we disposed of our 100% interest in VISS.

In particular Sri Lanka performed very well increasing its customer base to 559,000 as at 31 December 2006.

Turnover for Others in 2006 was HK$505 million, and LBITDA was HK$282 million. The losses were mainly attributable to the inclusion of operating expenses incurred by the start-up operations in Vietnam and Indonesia and operating losses from Ghana and Corporate office expenses. The losses were offset by the improved EBITDA from Sri Lanka.

Outlook

In a short period, Hutchison Telecom has established a strong track record for creating shareholder value. This reflects the solid foundations and excellent management in the Group.

2007 will be a transition year for the Group. We expect to complete the sale of our interests in India in the second quarter of 2007 which will leave the Group exceptionally well capitalised and able to take advantage of opportunities as they arise. Building on this track record, Hutchison Telecom will continue its strategy of becoming a leading mobile operator in dynamic markets. We will seek opportunities in emerging telecoms markets that we believe can create long-term value for our shareholders. With its existing group of businesses, Hutchison Telecom retains an attractive balance between businesses that offer excellent cash generation and those that offer attractive growth prospects. We have high expectations for the opportunities in Indonesia, Vietnam and Sri Lanka, whilst our established operations in Israel and Hong Kong provide improving cash flow and profitability to support these start-ups through their early stages.

2007 will be a year of continued investment in our early stage operations to strengthen our position and take advantage of the opportunities in these markets provide. We anticipate investing on the order of HK$6 billion to HK$7 billion in capital expenditure to expand our operations. We plan to invest in aggregate HK$3 billion to HK$4 billion in Indonesia and up to HK$1 billion in Vietnam during 2007. The balance of the investment is planned for the 3G network in Israel and maintenance expenditure across the rest of our businesses.

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, 20 March 2007

“2007 will be a year of continued investment in our early stage operations to strengthen our position and take advantage of the opportunities in these markets provide”