

## » Chairman's Statement

Both the Group's established businesses and the 3 Group recorded healthy growth and improved results in 2007. The Group's total revenue grew 15% to HK\$308,775 million. Revenue and recurring earnings before interest expense and other finance costs, taxation and minority interests ("EBIT") from the Group's established businesses grew 15% and 27% respectively to HK\$248,866 million and HK\$55,565 million. All of the Group's established businesses achieved double digit percentage earnings growth compared to last year except the property and hotels division due to the timing of completion of development projects. The 3 Group reported an 18% increase in revenue to HK\$59,909 million and achieved its cashflow target, reporting positive EBITDA after all CACs<sup>1</sup> for the second half of the year of HK\$2,800 million and as a result, also for the full year of HK\$1,195 million, a 116% turnaround from the comparable loss last year.

"The Group's total revenue grew 15% to HK\$308,775 million."

### Results

The Group's audited profit attributable to shareholders for the year amounted to HK\$30,600 million, a 53% increase compared to last year's profit of HK\$20,030 million. Earnings per share amounted to HK\$7.18 (2006 - HK\$4.70), an increase of 53%. These results include a profit on revaluation of investment properties of HK\$1,995 million and a net profit on disposal of investments and provisions totalling HK\$24,638 million, comprised of the following:

	HK\$ millions
➤ Group's share of Hutchison Telecommunications International's ("HTIL") gain on disposal of the mobile business in India	35,820
➤ HTIL's full provision for its investment in the mobile business in Thailand	(3,854)
➤ Profit on disposal of 3 UK's wholesale fixed line business	1,119
➤ Deemed dilution profit arising from Hutchison Telecommunications Australia's ("HTAL") restructuring with a minority shareholder	955
➤ Write off of certain 3 Group capitalised customer acquisition costs and intangible content and other rights	(4,608)
➤ Provisions for 3 UK's and 3 Italia's regulatory and carrier interconnection disputed receivables	(3,281)
➤ Gain of HK\$19,788 million arising from a network sharing arrangement whereby 3 UK obtains a right to share another UK operator's mobile network offset by a one-time provision of HK\$19,788 million for related costs to restructure its network infrastructure	-
➤ Provisions for two Cheung Kong Infrastructure ("CKI") transportation infrastructure projects, in Australia and Mainland China	(1,513)

<sup>1</sup> EBITDA after all CACs represents earnings before interest expense and other finance costs, taxation, depreciation and amortisation ("EBITDA") and after deducting all customer acquisition and retention costs ("CACs") and LBITDA after all CACs represents losses on the same basis.

## Dividends

The Board recommends the payment of a final dividend of HK\$1.22 per share in respect of 2007 (2006 - HK\$1.22 per share), to those persons registered as shareholders on 22 May 2008. This, together with the interim dividend of HK\$0.51 per share paid on 5 October 2007, gives a total dividend of HK\$1.73 per share for the year (2006 - HK\$1.73 per share). The proposed final dividend will be paid on 23 May 2008 following approval at the Annual General Meeting. The register of members will be closed from 15 May 2008 to 22 May 2008, both days inclusive.

## Established Businesses

### Ports and Related Services

The ports and related services division continued to expand and recorded another year of steady growth. Total throughput increased 12% to 66.3 million twenty-foot equivalent units ("TEUs") and total revenue grew 15% to HK\$37,891 million. Major contributors to throughput growth and their respective growth rates were:

- Yantian port in the Mainland, 13%;
- Panama ports container terminal ("PPC") in Panama, 59%;
- Kwai Tsing terminals in Hong Kong, 9%;
- Europe Container Terminal ("ECT") in Rotterdam, the Netherlands, 13%;
- Westports in Klang, Malaysia, 18%;
- the Shanghai area ports in the Mainland, 6%;
- Laemchabang ports in Thailand, 78%;
- Jakarta ports in Indonesia, 15%;

together with the first full year contribution from Terminal Catalunya ("TERCAT") in Barcelona, Spain, which was acquired in the third quarter of 2006.

The division's EBIT increased 13% to HK\$12,849 million. Major contributors to EBIT growth and their respective growth rates were:

- Yantian port, 11%;
- ECT, 44%;
- Hutchison Ports (UK), 33%;
- the Shanghai area ports, 14%;
- Laemchabang ports, 422%;
- PPC, 19%;
- Westports, 37%;

together with the first full year EBIT contribution from TERCAT.

The division's EBIT growth was partially offset by 5% lower EBIT from Kwai Tsing terminals in Hong Kong. This division contributed 15%

and 23% respectively to the total revenue and EBIT of the Group's established businesses for the year.

During the year, the division expanded and enhanced its existing facilities in Yantian, Gaolan in Zhuhai, Rotterdam in the Netherlands, and the ports in Panama. During the year, operations commenced at the Port of Sohar in Oman in January, at Alexandria and El Dekheila Ports in Egypt in March and June respectively, and phase I at the Port of Lazaro Cardenas in Mexico in November. Construction of new facilities in Ecuador, Vietnam and Huizhou in the Mainland are all progressing satisfactorily. In November, the Group was chosen as the winning bidder by Karachi Port Trust to build and manage a new container terminal at Keamari Groyne in Pakistan over a concession period of 25 years, extendible for a further 25 years. This new terminal is expected to be operational in 2011. In January this year, the Group entered into an agreement with the Port of Brisbane Corporation in Australia to lease two new container berths (Berth 11 and Berth 12) for a lease period of 42 years. Berth 11 and Berth 12 are expected to be operational in 2012 and 2014 respectively. Currently, this division operates in five of the eight busiest container ports in the world, with interests in a total of 47 ports comprising 292 berths in 24 countries. The division will continue to seek investment and expansion opportunities that meet its investment criteria in strategic locations around the world.

### Property and Hotels

The property and hotels division reported total revenue of HK\$9,551 million and EBIT of HK\$4,060 million, 11% and 28% lower than last year respectively. This division contributed 4% and 7% respectively to the total revenue and EBIT of the Group's established businesses. Gross rental income of HK\$3,029 million was 8% higher than last year, primarily due to increased rental income from investment properties in Hong Kong, reflecting continued strong demand for office premises which has resulted in higher lease renewal rates. The rental properties portfolio is 97% let. Development profits for the year, arose mainly from the sale of residential units of Shanghai Regency Park. These profits were 43% less than last year mainly due to lower sales activities from the development projects in the Mainland as the completion and sale of a number of projects has been deferred. This division is focused on the development of its existing substantial landbank interests in the Mainland and is also continuing to selectively seek additional development opportunities primarily in the Mainland. The Group's current attributable landbank (including interests held directly and its share of interests held by joint ventures, associates and jointly controlled entities) can be developed into 105 million square feet of mainly residential property, of which 96% is situated in the Mainland, 3% in the UK and overseas and 1% in Hong Kong.

The Group's hotel operations reported another year of EBIT growth, 12% better than last year, primarily due to increased demand in Hong Kong.

## Retail

The Group's retail division reported total revenue of HK\$110,007 million, an 11% increase, mainly due to:

- growth of certain health and beauty operations, including Rossmann in Germany and Poland as well as Kruidvat in the Benelux countries;
- the full year contribution from the business in the Ukraine, which was acquired in November last year; and
- increased sales reported by the European luxury perfumeries and cosmetics division.

EBIT from this division totalled HK\$3,711 million, a 36% improvement compared to last year. Following a management restructuring, the retail division focused in 2007 on integration and streamlining of its operations, and on reducing excess inventory levels. Despite the resulting adverse effect on margins in the first half of the year, the financial performance of the division continued to improve throughout 2007. Major contributors to EBIT growth were:

- health and beauty operations in Asia and the Benelux countries;
- retail operations in Hong Kong; and
- luxury perfumeries and cosmetics operations in the UK and the Benelux countries.

The improvement also reflects the first full year contribution from the health and beauty business in the Ukraine. The improved results were partially offset by lower results from the health and beauty businesses in the UK. The retail division contributed 44% and 7% respectively to the total revenue and EBIT of the Group's established businesses for the year.

During the year, expansion was limited mainly to organic growth in the Mainland and Eastern Europe and this is expected to continue in 2008. The number of retail outlets increased marginally in 2007 and currently totals over 7,900 outlets in 36 markets worldwide.

## Energy, Infrastructure, Finance and Investments

Cheung Kong Infrastructure, a listed subsidiary, announced its group turnover and its share of jointly controlled entities' turnover, of HK\$5,889 million, 23% above last year, and profit attributable to shareholders of HK\$4,772 million, 30% above last year's profit. CKI contributed 7% and 13% respectively to the total revenue and EBIT of the Group's established businesses for the year. CKI acquired and subsequently privatised TransAlta Power, L P ("TransAlta Power"), which was previously listed on the Toronto Stock Exchange, for a total cost of C\$630 million (HK\$4,850 million). TransAlta Power has interests in six Canadian power plants with a total generating capacity of 1,362 megawatts. CKI subsequently divested 50% of its interest to Hongkong Electric Holdings ("HEH") in December 2007. Also in

December, CKI acquired a 4.75% interest in Southern Water Group ("Southern Water"). Southern Water is a regulated water and sewage company in the UK. CKI continues to seek infrastructure investment opportunities globally. In January 2008, HEH announced it had entered into a new Scheme of Control Agreement ("SCA") with the Hong Kong SAR Government for a further term of ten years, commencing 1 January 2009 with a Government option to extend the SCA for a further term of five years. The agreement provides for a 9.99% permitted rate of return on average net fixed assets other than for renewable energy fixed assets for which the permitted return is 11%. The new SCA also contains provisions which encourage emission reduction, energy efficiency, operational performance, service quality and the use of renewable energy.

Husky Energy ("Husky"), an associated company listed in Canada, announced total revenue of C\$15,518 million and net earnings of C\$3,214 million, 23% and 18% above last year respectively reflecting higher oil prices. In addition, net earnings in 2006 and 2007 included benefits due to tax rate reductions of C\$328 million and C\$365 million respectively. Average total production increased 5% from 360,000 barrels of oil equivalent per day ("BOEs per day") in 2006 to 377,000 BOEs per day in 2007. Husky contributed 16% and 19% respectively to the total revenue and EBIT from the Group's established businesses for the year. Husky increased its quarterly dividend payment by 32% to C\$0.33 per share commencing in the third quarter of 2007.

In addition to the development and expansion projects mentioned in the Group's interim results announcement, in October, Husky and Esso Exploration Greenland were awarded a joint interest in an exploration licence in West Disko, Block 6, covering an area of 13,213 square kilometres located approximately 30 kilometres off the west coast of Disko Island, Greenland. This exploration licence area borders on Husky's interest in Blocks 5 and 7. Also in October, Husky announced the completion of the gas sales and purchase agreements for future production from its Madura BD Field, offshore of Indonesia. In December, Husky announced:

- the completion of construction and commencement of production at the ethanol plant in Minnedosa, Manitoba with an annual capacity of 130 million litres;
- an agreement to purchase 110,000 contiguous acres of oil sands leases at McMullen, in the Athabasca oil sands deposit. This land is adjacent to currently held oil sands leases; and
- a 50:50 joint venture agreement with BP to create an integrated oil sands joint venture business. Under the terms of the agreement, Husky will contribute its Sunrise assets located in the Athabasca oil sands in northeast Alberta, Canada and BP will contribute its Toledo refinery located in Ohio, USA. The transaction, which is subject to the execution of final agreements and regulatory approval, is expected to close shortly.

The Group's EBIT from its finance and investments operations mainly represents returns earned on the Group's holdings of cash and liquid investments together with the Group's share of the results of Hutchison Whampoa (China), listed subsidiary Hutchison Harbour Ring and listed associate TOM Group. EBIT for these operations amounted to HK\$13,851 million, an increase of 100%, mainly due to the one-time profits on disposal of certain listed equity investments of HK\$9,754 million. Finance and investments operations contributed 25% of the Group's EBIT from established businesses. The Group's consolidated cash and liquid investments increased by 38% to total HK\$180,499 million as at 31 December 2007. Gross consolidated debt totalled HK\$310,341 million. Consolidated debt, net of cash and liquid investments, amounted to HK\$129,842 million, a 15% reduction compared to last year.

### Hutchison Telecommunications International

Hutchison Telecommunications International, a listed subsidiary company, announced full year 2007 turnover from continued

operations of HK\$20,401 million (excluding turnover of Indian operations disposed of during the year), a 14% increase over last year, and a full year 2007 profit attributable to shareholders of HK\$66,884 million (including gain on disposal of Indian operations of HK\$69,343 million). This result compares to a profit of HK\$201 million in 2006. At 31 December 2007, HTIL had a consolidated mobile customer base of over 9.8 million, a 57% increase over the comparable base last year (excluding Indian operations). 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.

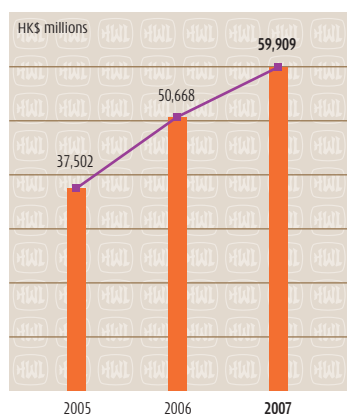
The Group announced on 14 June 2007 that it had increased its shareholding in HTIL from approximately 49.75% to over 50%. The Group purchased additional shares and further increased its holding in HTIL to 59.33% on 4 January 2008. From 14 June 2007, HTIL has been accounted for as a subsidiary of the Group. Its balance sheet and results from that date have been included in the consolidated results of the Group for the year.

## Telecommunications – 3 Group

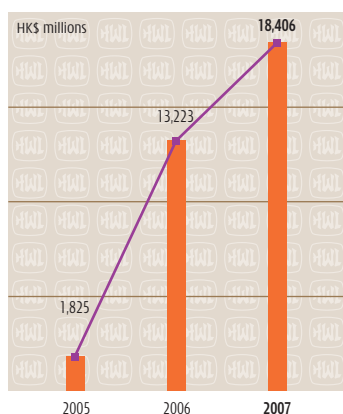
During the year, the 3 Group continued to grow its customer base, increased revenues, and achieved its cashflow target reporting positive EBITDA after all CACs for the second half of the year of HK\$2,800 million. As a result, EBITDA after all CACs was also positive for the full year in 2007 totalling HK\$1,195 million, which represents a 116% turnaround from the LBITDA after all CACs of HK\$7,494 million in 2006. The overall improved results of the 3 Group are summarised below and the charts show the continued positive growth trend of the 3 Group's revenue and EBITDA before and after all CACs.

	For the year ended 31 December		Change
	2007 HK\$ millions	2006 HK\$ millions	
Revenue	59,909	50,668	+ 18%
EBITDA before all CACs	18,406	13,223	+ 39%
Total CACs	(17,211)	(20,717)	+ 17%
EBITDA (LBITDA) after all CACs	1,195	(7,494)	+ 116%
Capitalised contract CACs	11,479	15,223	- 25%
Reported EBITDA	12,674	7,729	+ 64%

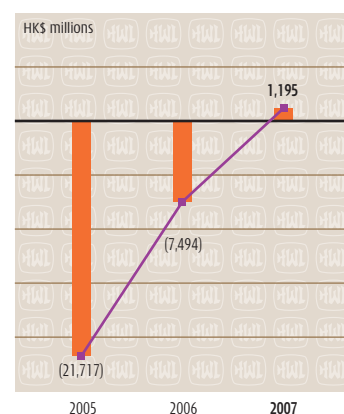
3 Group's Total Revenue



3 Group's EBITDA before all CACs



3 Group's EBITDA (LBITDA) after all CACs



*"The Group's profit attributable to shareholders increased 53% to HK\$30,600 million."*

As a result of the continuing focus on acquiring quality customers and improving churn, total revenue increased 18% to HK\$59,909 million in 2007. The Group's registered 3G customer base increased 20% during the year and currently stands at over 17.6 million customers. Contract customers as a percentage of the registered customer base improved to 47% of the 3 Group's base at 31 December 2007, compared to 45% at 31 December 2006. In addition, despite continued intense competition in all markets, the 3 Group's average monthly customer churn also improved to 2.6% from 2.9% in 2006. Active customers represented 79% of the 3 Group's total registered customer base and 98% of the contract customer base at 31 December 2007, in line with last year. Average revenue per active user on a 12-month trailing average active customer basis ("ARPU") overall declined by 9% to €41.74 compared to €45.63 for the full year of 2006. This decline reflects among other things, the increased number of mobile broadband access customers added during the year, which characteristically generate lower ARPU on a per customer calculation, but higher percentage margins than voice services. 3 Group's non-voice revenue as a percentage of total ARPU, on a 12-month trailing average basis, was 31% of total ARPU, in line with 2006. During 2007, promotional discount tariffs amounted to approximately 4% of ARPU, in line with 2006. These discount offerings were discontinued by most of the 3 Group's operations during the year and are not expected to affect ARPU going forward.

With the growth in revenue and continued strong cost controls, the 3 Group achieved a 39% increase in EBITDA before all CACs, totalling HK\$18,406 million. CACs, which include the costs incurred to acquire new customers and to retain existing contract customers, continued to reduce during the year, totalling HK\$17,211 million, a 17% reduction compared to last year. This improvement reflects the continuing downward trend in handset and mobile broadband access product costs and the benefits from the restructuring of distribution

arrangements in the UK and Italy during the year. As a result, the 3 Group's weighted average per customer acquisition cost, on a 12-month trailing basis, continued to trend lower, reducing 32% from €250 for the full year 2006 to €170 for the full year 2007, and on a six-month trailing basis a further reduction to average €148 for the second half of 2007.

Depreciation and amortisation expense, which includes the depreciation of networks, amortisation of licence fees, content and other rights and amortisation of capitalised contract CACs, totalled HK\$30,612 million, 10% higher than last year. Total depreciation and amortisation expense in 2007 also reflected a non-cash, exchange rate translation increase of HK\$2,721 million as a result of the strengthening of the Euro and the British pound against the Hong Kong dollar. Excluding the exchange translation differential, total depreciation and amortisation expense was 1% above last year.

LBIT improved 10% compared to last year, to total HK\$17,938 million. This improvement was also adversely affected by exchange rate movements on translation to Hong Kong dollars. Although these non-cash movements on translation do not affect the underlying operating performance, they increased the reported LBIT by HK\$1,626 million. Excluding the effect of these movements, LBIT reduced 18%.

The 3 Group businesses are continuing to focus on delivering a convergence of communications, entertainment and information services to customers on the move through mobile phones, handsets, laptops and other devices. During the year, the 3 Group operations introduced mobile broadband tariffs for USB broadband modems and cards with flat monthly fees and generous data allowances allowing customers high-speed access to the internet through laptops and other portable devices with full mobility. Currently, over 823,000 customers have a mobile broadband USB modem or card. In the fourth quarter, 3 Group launched the 3 Skypephone, one of the first free Voice over Internet Protocol ("VOIP") services on a mobile handset, tailor made for free calling over the internet. These new affordable mobile handsets allow customers to make free calls and send instant messages to Skype's 276 million registered users no matter where they are in the world. The take-up of this new service has been encouraging.

In light of the 3 Group's operating and financial performance in 2007, management continues to target achieving positive monthly EBIT on a sustainable basis in the second half of 2008 and a full year positive EBIT in 2009.

## Key Business Indicators

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

	Customer Base					
	Registered Customers at 26 March 2008 ('000)			Registered Customer Growth (%) from 31 December 2006 to 31 December 2007		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	5,969	2,215	8,184	13%	23%	16%
UK & Ireland	1,658	2,787	4,445	5%	12%	9%
Australia <sup>(1)</sup>	174	1,497	1,671	17%	28%	27%
Sweden & Denmark	92	853	945	8%	38%	34%
Austria	158	384	542	29%	25%	26%
<b>3 Group Total</b>	<b>8,051</b>	<b>7,736</b>	<b>15,787</b>	<b>12%</b>	<b>21%</b>	<b>16%</b>
Hong Kong and Macau <sup>(2)</sup>	61	1,082	1,143	336%	39%	45%
Israel <sup>(2)</sup>	-	738	738	-	130%	130%
<b>Total</b>	<b>8,112</b>	<b>9,556</b>	<b>17,668</b>	<b>12%</b>	<b>27%</b>	<b>20%</b>

	Customer Revenue Base					
	Revenue for the twelve months ended 31 December 2007 ('000)			Revenue Growth (%) compared to the twelve months ended 31 December 2006		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
Italy	€814,177	€1,204,055	€2,018,232	-29%	30%	-3%
UK & Ireland	£155,406	£1,435,480	£1,590,886	6%	5%	5%
Australia	A\$73,102	A\$1,083,293	A\$1,156,395	12%	38%	36%
Sweden & Denmark	SEK77,167	SEK3,816,178	SEK3,893,345	39%	48%	48%
Austria	€5,796	€184,636	€190,432	-15%	12%	11%
<b>3 Group Total</b>	<b>€1,100,274</b>	<b>€4,561,618</b>	<b>€5,661,892</b>	<b>-22%</b>	<b>18%</b>	<b>7%</b>

	12-month Trailing Average Revenue per Active User ("ARPU") <sup>(3)</sup> to 31 December 2007					
	Total			% Variance compared to 31 December 2006	Non-voice	
	Prepaid	Postpaid	Blended Total		ARPU	ARPU %
Italy	€17.65	€52.88	€29.30	-14%	€8.82	30%
UK & Ireland	£17.89	£51.33	£43.40	-7%	£14.38	33%
Australia	A\$39.11	A\$72.29	A\$68.61	-3%	A\$18.31	27%
Sweden & Denmark	SEK111.64	SEK457.23	SEK430.80	7%	SEK114.71	27%
Austria	€17.53	€47.70	€45.33	-12%	€11.61	26%
<b>3 Group Average</b>	<b>€19.07</b>	<b>€58.53</b>	<b>€41.74</b>	<b>-9%</b>	<b>€12.73</b>	<b>31%</b>

Note 1: Active customers as at 31 December 2007 announced by listed subsidiary HTAL updated for net additions to 26 March 2008.

Note 2: Customers as announced by listed subsidiary HTIL as at 18 March 2008.

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.



Highlights for the 3 Group are as follows:

### Italy

3 Italia's registered customer base increased 16% during the year to total 8.1 million at 31 December 2007 and currently stands at 8.2 million. Contract customers represented 26% of the registered customer base, up from 24% at the 2006 year-end. The monthly churn rate increased from 2.2% in 2006 to 2.4% in 2007. Active customers represented 75% of the total registered customer base and 97% of the contract customer base at 31 December 2007, in line with last year. 3 Italia was adversely affected by the industry wide effect of regulation in the first half of the year, which eliminated the fees charged by all operators to prepaid customers upon top up of their prepaid cards ("Bersani Decree"). As a result, ARPU declined reducing revenues and EBITDA. Although ARPU, on a 12-month trailing average basis, declined from €33.99 in 2006 to €29.30, it remained above the market average. The usage of non-voice services represented 30% of total ARPU, on a 12-month trailing average basis. Despite a decline in revenue in local currency by 3% compared to last year due to the Bersani Decree and strong competition, 3 Italia achieved its target to report positive EBITDA after all CACs in the second half of the year. As a result, 3 Italia achieved a breakeven EBITDA after all CACs for the full year 2007, before including non-recurring foreign exchange gains. In the last quarter of the year, the Group refinanced certain non-Euro borrowings with Euro bank loans to create a natural currency hedge against the 3 Italia's assets denominated in Euros and recorded a foreign exchange gain of HK\$775 million. The High Speed Downlink Packet Access ("HSDPA") network upgrade in Italy is continuing and currently covers 86% of the network. 3 Italia is currently assessing a cell site sharing joint venture opportunity and will also review other infrastructure outsourcing and joint venture opportunities to further reduce its costs and exploit synergies.

### UK & Ireland

The new management team at 3 UK made good progress during the year rationalising the business, exploiting cost saving opportunities and, at the same time, launching new products into its market. 3 UK is continuing to target higher-value contract customers and to limit its activity in the prepaid market. 3 Ireland has also made steady progress building its network and business. The combined registered customer base increased 9% during the year to total 4.3 million at 31 December 2007 and currently stands at 4.4 million. Contract customers represented 62% of the registered customer base, up from 60% at the end of last year. Monthly churn, which for prudence takes into account the potential disconnection of inactive prepaid customers on the registered customer base, has continued to improve. Combined prepaid and contract customer churn fell from 4.9% in 2006 to 3.6% in 2007. Encouragingly, the churn rate of contract customers, who represent 90% of the revenue base, stabilised at 2.6% in 2007. Active customers represented 76% of the registered customer base and 97%

of the contract customer base at 31 December 2007, in line with last year. Combined ARPU, on a 12-month trailing average basis, declined 7% to £43.40, primarily due to the adverse impact of interconnection rates and international roaming fee reductions regulated in the first half of the year. Non-voice revenue, on a 12-month trailing average basis, improved from 29% of total ARPU to 33%, or £14.38 versus £13.44 in 2006. Despite the adverse effects of the new regulations on ARPU, combined revenue, in British pounds, increased 5% compared to 2006. 3 UK also achieved positive EBITDA after all CACs, in local currency, in the second half of the year and for the full year, before including non-recurring foreign exchange gains. This is a 108% turnaround from the comparable LBITDA reported last year. During the year, the Group refinanced certain non-Sterling borrowings with Sterling bank loans to create a natural currency hedge against the 3 UK's assets denominated in Sterling and recorded a foreign exchange gain of HK\$1,123 million. The network upgrade to roll out HSDPA is progressing well with current UK population coverage at approximately 89%. In December, 3 UK announced a network sharing agreement to form a 50:50 joint venture with another mobile network operator to supervise the creation and operation of their shared 3G access networks (mobile masts and infrastructure that connects to each operator's separate core networks). Combining the infrastructure over the next two years, the joint venture is expected to result in significant savings in operating costs, together with lower future capital expenditures. By the end of 2008, the combined network is expected to provide 98% UK population coverage for voice and simple data as well as 3G high-speed mobile broadband services, better than any competitive network in the UK.

### Australia

In Australia, the active customer base of listed subsidiary, Hutchison Telecommunications Australia, grew 27% during the year to total 1.6 million at 31 December 2007 and currently stands at 1.7 million. Contract customers represented 89% of the active customer base at 31 December 2007 and contributed approximately 94% of the revenue. The monthly contract customer churn rate for 2007 remained steady at 1.1%. ARPU was adversely affected by regulated interconnection rate reductions introduced on 1 July 2007. ARPU, on a 12-month trailing average basis, declined 3% to A\$68.61. The proportion of non-voice revenue increased to 27% in 2007 from 24% in 2006. Despite the adverse effect of regulations, revenue, in local currency, increased 36% compared to last year and EBITDA after all CACs increased 464%, a second successive year of positive EBITDA results. The network upgrade to roll out HSDPA was completed in the first half of the year.

*“The Group’s registered 3G customer base increased 20% during the year and currently stands at over 17.6 million customers.”*

### Other 3 Group operations

In the other 3G operations, the operating and financial performance continues to progress:

- The combined operations in Sweden and Denmark reported a strong improvement for the year. The registered customer base grew 34% during the year to total 899,500 at 31 December 2007 and currently stands at 945,000. Contract customers at 31 December 2007 represented 90% of the registered customer base. Monthly churn has reduced in 2007 and averaged 2.4% compared to 2.7% in 2006. Active customers represented 97% of the registered customer base and 100% of the contract customer base at 31 December 2007, in line with last year. Combined ARPU increased 7% to SEK430.80. The proportion of non-voice ARPU increased from 21% in 2006 to 27% in 2007 reflecting an increase in mobile broadband access customers. Combined revenue, in Swedish Kronas, grew 48% compared to last year. The combined operations achieved positive EBITDA before all CACs, in Swedish Kronas, for the year, a 539% turnaround from a LBITDA position last year. LBITDA after all CACs of the combined operations, in Swedish Kronas, reduced by 75% from last year and the combined operations are targeting to achieve positive EBITDA after all CACs this year. The HSDPA network upgrade in Sweden and Denmark has been completed.
- 3 Austria also reported improvement. The registered customer base grew 26% during the year to total 513,000 at 31 December 2007 and currently stands at 542,000. The proportion of contract customers at 31 December 2007 represented 72% of the registered customer base. Monthly churn improved from an average of 2.0% in 2006 to 1.1% in 2007. Active customers represented 77% of the registered customer base and 99% of the contract customer base at 31 December 2007, in line with last year. Although ARPU, on a 12-month trailing average basis, declined 12% to €45.33, the proportion of non-voice revenue increased from 18% in 2006 to 26% during the

year. Revenue, in local currency, grew 11% compared to last year. As a result, 3 Austria achieved full year positive EBITDA before all CACs in 2007, representing, in local currency, a 481% turnaround from the LBITDA last year. LBITDA after all CACs, in local currency, reduced by 60% from last year and 3 Austria is targeting to achieve positive EBITDA after all CACs in 2008. The HSDPA upgrade to the existing network has been completed. Extension of the network into the rural areas of Austria continues to progress well.

### Outlook

Looking ahead to 2008, the US economy is likely to continue to be adversely affected by the continuing impact of the subprime credit crisis, the continuing slump in housing markets and resulting recessionary pressures in the US. This adverse trend in the US economy, the weaker US dollar and high energy prices will affect other economies around the world to varying degrees. Although the tightening economic measures in the Mainland have slowed its growth, these measures will be beneficial in many respects to its long term economic development and will help to maintain its long term growth potential. Hong Kong and the Asia region will continue to benefit from the Mainland's growth and development. The Group's diversified businesses around the world are all solid, financially sound and well positioned to continue to progress.

The results of 2007 reflect another year of strong results from our established businesses and the continuing steady improvement of the 3 Group. In addition, the Group's financial position was significantly enhanced by strong cash generation during the year and the reduction in the Group's net debt position. Looking ahead, the Group's established businesses are expected to continue to report growth. Barring any further unfavourable regulatory or market developments, 3 Group will turn a new page in 2008 on a path targeting to achieve positive monthly EBIT on a sustainable basis in the second half of 2008 and full year positive EBIT in 2009.

I would like to thank the Board of Directors and all employees around the world for their hard work, dedication and contributions over the past year.

### Li Ka-shing

*Chairman*

Hong Kong, 27 March 2008