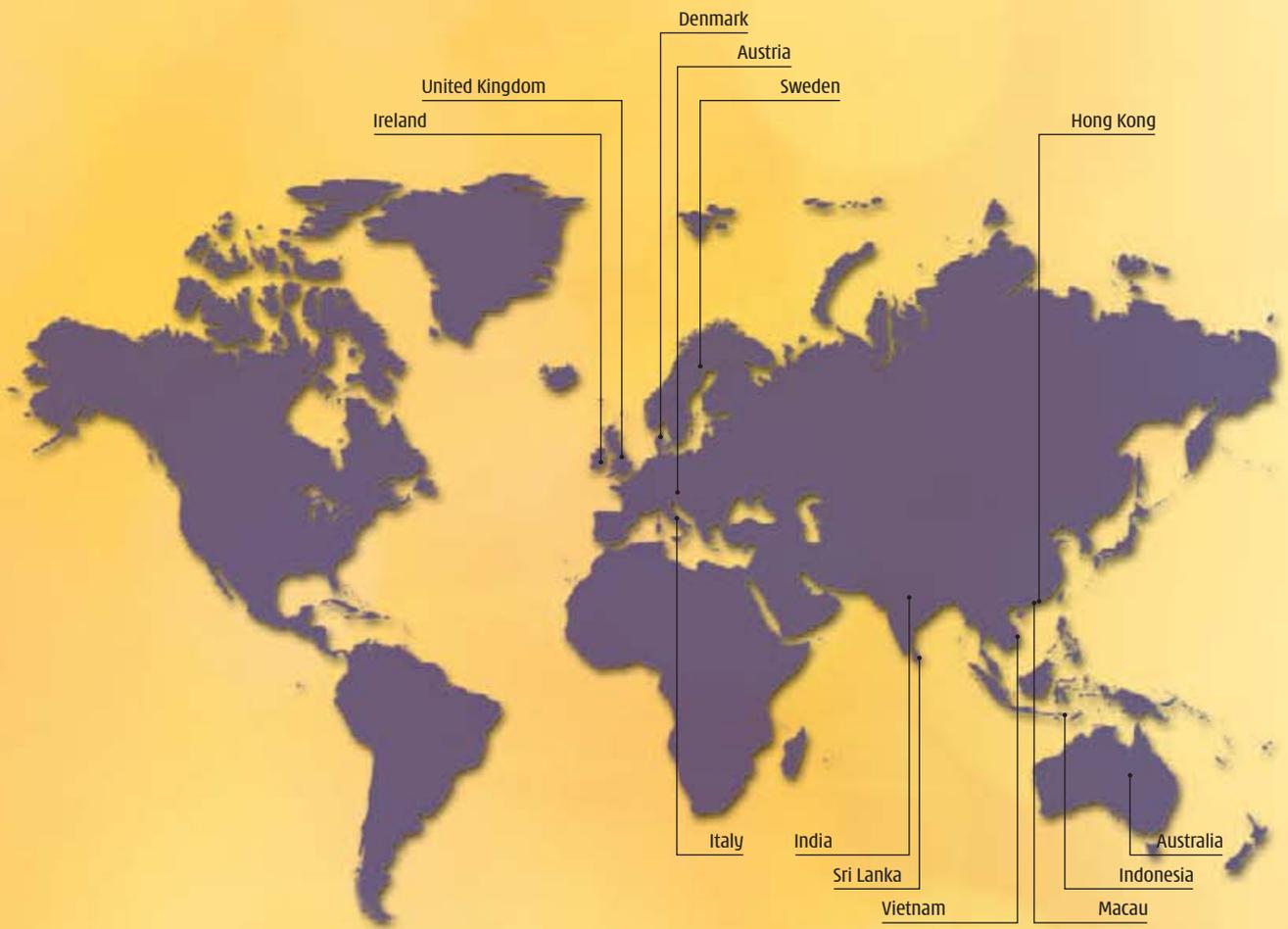


# Telecommunications

The Group's telecommunications division consists of a 65.02% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on SEHK, Hutchison Asia Telecommunications ("HAT") and the 3 Group businesses in Europe and Australia. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, as well as fixed-line operations in Hong Kong. HAT holds the Group's interests in mobile operations in Indonesia, Vietnam and Sri Lanka. The 3 Group is one of the world's leading operators of 3G mobile telecommunications technology with businesses in six countries across Europe and in Australia.



3 Shop, Austria.



- HTHKH announced profit attributable to shareholders of HK\$1,020 million, a 35% increase over last year.
- HAT's LBITDA and LBIT improved 92% and 56% respectively.
- 3 Group achieved a second year of EBIT positive results, reporting HK\$1,481 million in 2011.
- Registered 3G customer base currently totals 31.6 million.

## Hutchison Telecommunications Hong Kong Holdings

	2011 HK\$ millions	2010 HK\$ millions	Change
Total revenue	13,407	9,880	+36%
EBITDA	2,616	2,171	+20%
EBIT	1,435	1,090	+32%



3 HK has opened 3Broadband Specialist stores in several residential districts to serve customers with convenient mobile and fixed-line services.

HTHKH announced its 2011 turnover of HK\$13,407 million and profit attributable to shareholders of HK\$1,020 million, a 36% and a 35% increase respectively over last year. HTHKH contributed 4% to the total revenue and 3% to both EBITDA and EBIT of the Group's businesses.

The mobile operations in Hong Kong and Macau achieved a 50% increase in combined turnover to HK\$10,406 million in 2011 compared to HK\$6,950 million in 2010, while EBITDA and EBIT improved by 38% and 49% respectively. The improved results were mainly due to continuing demand for data usage from customers together with stronger sales of smartphones. The combined mobile customer base, on an active basis, was over 3.5 million as at 31 December 2011, representing a 10% increase over last year.

The fixed-line telecommunications business in Hong Kong continues to achieve steady growth despite a very competitive environment for the residential market segment, reporting a 4% increase in turnover to HK\$3,403 million in 2011 compared to HK\$3,286 million in 2010 due to continued growth in its carrier business segment. However, EBITDA and EBIT decreased by 5% and 14% respectively mainly due to the above mentioned price competition and a one-time write-off of submarine cables located at the Hong Kong-Zhuhai-Macau Bridge site.

## Hutchison Asia Telecommunications

	2011 HK\$ millions	2010 HK\$ millions	Change
Total revenue	2,332	2,486	-6%
LBITDA	(142)	(1,893)	+92%
LBIT	(1,181)	(2,688)	+56%

HAT consists of the Group's mobile operations in Indonesia, Vietnam and Sri Lanka. HAT contributed 1%, a negative 0.2% and a negative 2% respectively to the total revenue, EBITDA and EBIT of the Group's businesses. Total revenue decreased 6% over last year due to the disposal of the Thailand operation in January 2011. LBITDA and LBIT inclusive of one-time compensation contributions in 2011 of HK\$1,270 million (2010 - HK\$669 million) and a gain of HK\$463 million on the disposal of the Thailand operation in 2011, improved by 92% and 56% over last year respectively. At 31 December 2011, HAT had a mobile customer base of over 34.2 million, representing a 38% increase over last year on a comparable basis.

In Indonesia, the business continued to grow and now serves Bali, Lombok, Sumatra, Kalimantan, Sulawesi and Java, covering 81% of the population of the country with 2G or 3G services. The customer base at the end of 2011 increased 23% from last year and underlying LBITDA and LBIT, improved by 14% and 3% respectively, reflecting a higher contribution from the increased customer base.

In Vietnam, the customer base increased by 71% over last year with underlying LBITDA and LBIT improving by 51% and 29% respectively. The Group has made an impairment charge of HK\$2,997 million in relation to HAT's assets in Vietnam in view of an ongoing reassessment of the business opportunity in that country.

In Sri Lanka, the customer base increased 35% compared to last year and underlying LBITDA and LBIT improved by 55% and 41% respectively, as a result of an overall improvement in the operating environment.



3 Store agents in Indonesia are offering their customers a wide variety of products and services.

## Operations Review – Telecommunications

### Group Performance

#### Telecommunications – 3 Group

	2011 HK\$ millions	2010 HK\$ millions	Change
Total revenue	74,288	64,205	+16%
EBITDA <sup>(1)</sup>	10,524	8,718	+21%
EBIT	1,481	2,931	-49%
Capex <sup>(2)</sup>	8,170	9,748	-16%
EBITDA <sup>(1)</sup> less Capex	2,354	(1,030)	+329%

Note 1: EBITDA represents the operational results excluding one-time items and is stated after all customer acquisition costs and retention costs ("CACs").

Note 2: In addition to the capital expenditure shown above, the Group has acquired spectrum licences totalling HK\$2,810 million.

In local currencies, growth in total revenue and EBITDA for the year were 8% and 13% respectively. Whilst EBIT reduced 49% and 53% in Hong Kong dollars and in local currencies respectively, this reduction represents lower one-time gains recognised in 2011. The one-time gains in both years are as follows:-

3 Group's one-time net gains	2011 HK\$ millions	2010 HK\$ millions
<b>3 Italia – one-time net gain, comprising :-</b> <ul style="list-style-type: none"> <li>Benefit relating to two blocks of 5MHz 1800MHz spectrum of HK\$1,843 million (€166 million) and HK\$1,489 million (€146 million) in 2011 and 2010 respectively; partly offset by</li> <li>Incoming mobile termination rate write-off due to an adverse court ruling of HK\$917 million (€83 million) in 2011; and</li> <li>Certain one-off provisions of HK\$469 million (€42 million) in 2011</li> </ul>	457	1,489
3 UK – gain on a revised network sharing arrangement, net of provisions (£189 million) in 2010	–	2,268
<b>Total one-time gains</b>	<b>457</b>	<b>3,757</b>

Excluding the one-time gains in both years, recurring EBIT in 2011 in Hong Kong dollars improved by 224% compared to 2010. 3 Group contributed 19%, 13% and 3% respectively to the total revenue, EBITDA and EBIT of the Group's businesses.



In 2011, 3 Group overall continued to grow its customer and revenue bases. 3 Group's ARPU, on a 12-month trailing average active customer basis, overall decreased by 4% to €28.27 compared to 2010. In local currencies, ARPU decreased 6% compared to the restated full year 2010 ARPU, primarily due to regulated interconnection rate reductions in the UK and Italy. Despite the decrease in ARPU, 3 Group's total revenue continued to increase resulting from the enlarged customer base and an increased sale of smartphone products.

The Group's registered 3G customer base (including the 3G customers of HTHKH) grew 7% during the year to total over 31.2 million at 31 December 2011 and currently totals over 31.6 million, reflecting continued customer growth across all 3 Group operations, except for Hutchison Telecommunications (Australia) Limited ("HTAL") which was affected by network performance issues in late 2010 and early 2011. The proportion of active customers in 3 Group's customer base and contract customer base were approximately 82% and 98% respectively at the end of the year, consistent with 2010, and the revenue generated by the contract customers accounts for over 84% of overall customer services revenue. The proportion of contract customers as a percentage of the registered customer base has increased from 52% last year to 53% at the end of 2011. Management continues to focus on managing churn and has maintained the average monthly customer churn rate of the contract customer base at 2.0%, in line with 2010.

With the increasing demand for data usage and transmission speed under the present mode of mobile communication, 3 Group has been able to capture a significant portion of market share in the smartphones and mobile broadband access segments through delivering good customer usage experience supported by the enhanced networks in various countries. This was evident by various awards received such as, 3 UK being voted the best mobile broadband provider in the UK for two consecutive years and 3 Austria winning the best network test amongst the German-speaking countries with the highest points awarded.

Growth of higher margin non-voice revenues continued to be a key focus of 3 Group in 2011. Average non-voice revenue per active user as a percentage of ARPU for 2011 increased to 44%, compared to 41% in 2010. At 31 December 2011, approximately 6.4 million customers, representing 22% of the total 3 Group customer base, have mobile broadband access, an increase of 11% from last year. The average monthly data usage per customer reached 684MB in December 2011, an increase of 56% compared to the same month last year. In addition, the growth in non-voice revenues is also supported by the greater supply of a wide range of smartphones available in the market, resulting in a 99% increase in total contract smartphone customers acquired by 3 Group in 2011 compared to 2010. Total contract smartphone customers added during 2011 represents around 56% of the total contract customers acquired in the year.

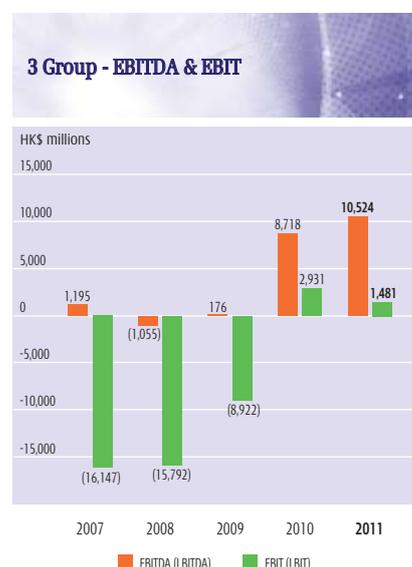
CACs totalling HK\$24,760 million in 2011 were 38% higher than 2010 mainly due to the increase proportion of smartphone customers acquired and retained during the year. Unit cost to acquire, on a 12-month trailing basis, averaged €114 per customer, compared to €91 for 2010 due to higher mix of smartphone customers.

EBITDA and underlying EBIT growth reflects increased contributions from an enlarged customer base, cost savings from outsourcing activities and network sharing arrangements, stringent cost controls and effective working capital management.

In February 2012, 3 Austria entered into a binding agreement to acquire a 100% interest in Orange Austria and a subsequent onward sale of the Yesss! brand and certain other assets to Telekom Austria Group. However, the completion of the transaction remains subject to regulatory approvals. If the transaction completes, 3 Austria will have a combined customer base of 2.8 million customers and the combined operations will generate revenues, together with operational synergies and efficiencies, which should result in a corresponding increase in 3 Austria's contribution to the 3 Group.



Note 1: Partner Communications was disposed during 2009.



## Operations Review – Telecommunications

### Segment Performance

#### Key Business Indicators

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

	Customer Base					
	Registered Customers at 28 March 2012 ('000)			Registered Customer Growth (%) from 31 December 2010 to 31 December 2011		
	Prepaid	Postpaid	Total	Prepaid	Postpaid	Total
United Kingdom	3,600	4,619	<b>8,219</b>	20%	17%	<b>18%</b>
Italy	5,644	3,595	<b>9,239</b>	-1%	5%	<b>1%</b>
Sweden	155	1,258	<b>1,413</b>	-	14%	<b>12%</b>
Denmark	170	637	<b>807</b>	86%	11%	<b>21%</b>
Austria	396	1,025	<b>1,421</b>	39%	19%	<b>24%</b>
Ireland	509	334	<b>843</b>	27%	34%	<b>30%</b>
Australia <sup>(1)</sup>	2,728	4,218	<b>6,946</b>	-16%	-	<b>-7%</b>
<b>3 Group Total</b>	<b>13,202</b>	<b>15,686</b>	<b>28,888</b>	<b>2%</b>	<b>9%</b>	<b>6%</b>
Hong Kong and Macau <sup>(2)</sup>	959	1,765	<b>2,724</b>	67%	13%	<b>27%</b>
<b>Total</b>	<b>14,161</b>	<b>17,451</b>	<b>31,612</b>	<b>5%</b>	<b>9%</b>	<b>7%</b>

	12-month Trailing Average Revenue per Active User ("ARPU") <sup>(4)</sup> to 31 December 2011					
	Total			% Variance compared to 31 December 2010	Non-voice	
	Prepaid	Postpaid	Blended Total		ARPU	% of total ARPU
United Kingdom	£8.05	£28.61	<b>£21.87</b>	-3%	<b>£10.19</b>	47%
Italy <sup>(5)</sup>	€8.22	€31.25	<b>€19.86</b>	-14%	<b>€8.34</b>	42%
Sweden	SEK100.99	SEK325.17	<b>SEK307.82</b>	-	<b>SEK126.42</b>	41%
Denmark	DKK150.99	DKK283.96	<b>DKK263.68</b>	-9%	<b>DKK139.76</b>	53%
Austria	€10.73	€23.50	<b>€22.35</b>	3%	<b>€11.43</b>	51%
Ireland	€16.88	€36.84	<b>€30.96</b>	22%	<b>€17.94</b>	58%
Australia <sup>(3)</sup>	A\$27.73	A\$66.33	<b>A\$51.34</b>	-5%	<b>A\$21.31</b>	42%
<b>3 Group Average <sup>(5)</sup></b>	<b>€12.73</b>	<b>€37.13</b>	<b>€28.27</b>	<b>-4%</b>	<b>€12.41</b>	<b>44%</b>
<b>3 Group Average <sup>(5)</sup> (without FX impact)</b>	<b>€12.36</b>	<b>€36.27</b>	<b>€27.59</b>	<b>-6%</b>	<b>€12.13</b>	<b>44%</b>

Note 1: Active customers (including customers of mobile virtual network operators ("MVNOs")) at 31 December 2011 as announced by listed subsidiary HTAL, updated for net additions to 28 March 2012.

Note 2: Active 3G customers at 31 December 2011 as announced by listed subsidiary HTHKH, updated for net additions to 28 March 2012.

Note 3: ARPU (excluding ARPU from MVNOs) at 31 December 2011 as announced by listed subsidiary HTAL.

Note 4: ARPU equals total monthly tariff revenue divided by the average number of active customers during the period, where an active customer is one that has generated revenue from an outgoing call, incoming call or 3G service in the preceding three months.

Note 5: For comparability purposes, the reported ARPU for Italy and the 3 Group Average in 2010 have been restated to reflect the reduction of incoming mobile termination rates from €11 cents to €9 cents, effective from 1 July 2010, due to an adverse court ruling by the Italian State Council.

## United Kingdom

	2011 GBP millions	2010 GBP millions	Change
Total revenue	1,787	1,572	+14%
EBITDA	191	165	+16%
EBIT	30	173	-83%

	2011	2010
Total registered customer base (millions)	8.1	6.8
Contract customers as a % of total registered customer base	55%	55%
Contract customers contribution to the customer services revenue base (%)	86%	88%
Average monthly churn rate of total contract registered customer base (%)	1.7%	2.1%
Active contract customers as a % of total contract registered customer base	97%	97%
Active customers as a % of total registered customer base	79%	81%

Included in the total registered customer base was over 2.4 million mobile broadband customers, a 16% increase from 2010. Despite a decline in ARPU from the adverse impact of the regulated interconnection rate reductions, 3 UK's total revenue increased 14% during the year to £1,787 million, reflecting the higher customer base and higher smartphone sales. 3 UK's performance continued to improve, reporting a 16% increase in EBITDA to £191 million and full year EBIT positive results of £30 million, a 299% turnaround from the comparable LBIT before one-off gains last year. Including last year's one-time net gain of £189 million, net of provisions as mentioned previously in the 3 Group performance section, EBIT in 2011 decreased 83%.



Inside the 3 Store in Ashington, the UK.

## Operations Review – Telecommunications



3 Italia's headquarters in Milan, Italy. 3 Italia has over nine million customers.

### Italy

	2011 EUR millions	2010 EUR millions	Change
Total revenue	1,782	1,738	+3%
EBITDA	257	263	-2%
EBIT	6	96	-94%

	2011	2010
Total registered customer base (millions)	9.1	9.0
Contract customers as a % of total registered customer base	38%	36%
Contract customers contribution to the customer services revenue base (%)	79%	80%
Average monthly churn rate of total contract registered customer base (%)	2.6%	2.4%
Active contract customers as a % of total contract registered customer base	96%	96%
Active customers as a % of total registered customer base	70%	68%

The Group had a 97.4% interest in 3 Italia at 31 December 2011. Included in the total registered customer base was over 1.6 million mobile broadband customers, an 11% increase over 2010. Despite a reduction in ARPU resulting from the incoming mobile termination rates reduction, 3 Italia's total revenue increased 3% to €1,782 million in 2011 mainly due to higher smartphone sales. Although a further decrease in the incoming rates is expected in the second half of 2012 from €6.3 cents to €3.5 cents, with a corresponding reduction in the outgoing rates from €5.3 cents to €2.5 cents, 3 Italia is expected to benefit from a lower total net cost of interconnection due to the reduced rates. EBITDA of €257 million was a 2% decrease from last year resulting from an increase in acquisition and retention activities. EBIT of €6 million was a 94% reduction from last year mainly due to lower one-time gains recognised in 2011 as mentioned previously in the 3 Group performance section.

## Sweden

	2011 SEK millions	2010 SEK millions	Change
Total revenue	<b>5,641</b>	4,012	<b>+41%</b>
EBITDA	<b>1,766</b>	616	<b>+187%</b>
EBIT	<b>1,171</b>	(4)	<b>Turnaround of 29,375%</b>

	2011	2010
Total registered customer base (millions)	<b>1.3</b>	1.2
Contract customers as a % of total registered customer base	<b>88%</b>	87%
Contract customers contribution to the customer services revenue base (%)	<b>97%</b>	97%
Average monthly churn rate of total contract registered customer base (%)	<b>1.7%</b>	1.6%
Active contract customers as a % of total contract registered customer base	<b>100%</b>	100%
Active customers as a % of total registered customer base	<b>95%</b>	94%

In Sweden, where the Group has a 60% interest in its 3 Group operations, mobile broadband customers grew 15% to over 393,000 at 31 December 2011. Total revenue increased 41% to SEK5,641 million in the 2011 primarily due to the growth in the customer base and a higher demand for smartphone products. EBITDA in 2011 was SEK1,766 million, an improvement of 187% from last year. EBIT of SEK1,171 million was a turnaround from an underlying LBIT of SEK4 million last year. Both EBITDA and LBIT reported in 2010 included a provision of SEK110 million for the costs of withdrawing from the Norwegian market. Excluding all Norwegian market exit related costs in both years, EBIT increased 961%.

## Denmark

	2011 DKK millions	2010 DKK millions	Change
Total revenue	<b>2,355</b>	1,990	<b>+18%</b>
EBITDA	<b>595</b>	354	<b>+68%</b>
EBIT	<b>360</b>	118	<b>+205%</b>

	2011	2010
Total registered customer base	<b>782,000</b>	647,000
Contract customers as a % of total registered customer base	<b>80%</b>	87%
Contract customers contribution to the customer services revenue base (%)	<b>90%</b>	97%
Average monthly churn rate of total contract registered customer base (%)	<b>3.0%</b>	2.6%
Active contract customers as a % of total contract registered customer base	<b>100%</b>	100%
Active customers as a % of total registered customer base	<b>99%</b>	98%

## Operations Review – Telecommunications



3 Denmark opens a flagship store - 3 Huset - in Copenhagen, which is the biggest telecom shop in Scandinavia.

### Denmark (continued)

In Denmark, where the Group also has a 60% interest in its 3 Group operations, mobile broadband customers grew 18% to approximately 292,000 at 31 December 2011. Despite a decline in ARPU, total revenue increased 18% to DKK2,355 million in 2011 due to the enlarged customer base. EBITDA of DKK595 million and EBIT of DKK360 million increased 68% and 205% respectively from last year mainly due to the growth in customer base as well as improved margins.

### Austria

	2011 EUR millions	2010 EUR millions	Change
Total revenue	321	302	+6%
EBITDA	36	77	-53%
EBIT	2	4	-50%

	2011	2010
Total registered customer base (millions)	1.3	1.0
Contract customers as a % of total registered customer base	73%	76%
Contract customers contribution to the customer services revenue base (%)	95%	96%
Average monthly churn rate of total contract registered customer base (%)	0.3%	0.3%
Active contract customers as a % of total contract registered customer base	99%	99%
Active customers as a % of total registered customer base	80%	83%

Included in the total registered customer base was approximately 521,000 mobile broadband customers, an increase of 12% from 2010. Total revenue increased 6% to €321 million mainly due to the enlarged customer base and increase in demand for smartphone products. EBITDA of €36 million and EBIT of €2 million decreased 53% and 50% respectively as compared to last year due to a one-time marketing contribution of €56 million in 2010. Excluding the one-time contribution, total revenue, EBITDA and EBIT increased 30%, 73% and 103% respectively.

## Ireland

	2011 EUR millions	2010 EUR millions	Change
Total revenue	150	98	+53%
LBITDA	28	56	+50%
LBIT	54	78	+31%

	2011	2010
Total registered customer base	804,000	620,000
Contract customers as a % of total registered customer base	41%	39%
Contract customers contribution to the customer services revenue base (%)	82%	78%
Average monthly churn rate of total contract registered customer base (%)	1.3%	2.4%
Active contract customers as a % of total contract registered customer base	85%	87%
Active customers as a % of total registered customer base	50%	50%

Included in the total registered customer base was over 286,000 mobile broadband customers, a 16% increase from 2010. 3 Ireland's total revenue increased 53% to €150 million in 2011. LBITDA and LBIT of €28 million and €54 million represented a 50% and 31% improvement over last year respectively due to the growth in the customer base, improved gross margins and tight cost controls.

## Australia

HTAL, subsidiary listed on Australian Securities Exchange

	2011 AUD millions	2010 AUD millions	Change
Announced total revenue	2,297	2,411	-5%
Announced EBITDA	313	476	-34%
Announced loss attributable to shareholders	Loss attributable to shareholders of A\$168 million	Profit attributable to shareholders of A\$73 million	-330%

The Group's 87.87% owned, listed subsidiary in Australia, HTAL, announced total revenue and EBITDA attributable to HTAL from its 50% owned associated company, Vodafone Hutchison Australia, of A\$2,297 million and A\$313 million, a 5% and 34% decrease respectively over last year, and a loss for the year attributable to shareholders of A\$168 million, compared to a profit of A\$73 million in 2010. HTAL's active customer base declined 7% from 31 December 2010 to total over 7.0 million at 31 December 2011 which included over 819,000 mobile broadband access customers, a 4% decline from 2010. These declines were due to the network and customer service issues experienced by some customers at the end of 2010 and the beginning of 2011.

HTAL has invested a significant amount on capital expenditures in 2011, amounting to approximately A\$400 million, mainly to accelerate its network improvement plans. There will be a continuing focus in 2012 on improving HTAL's financial performance as well as the quality and performance of its network with the anticipated completion of the current network roll-out and upgrade program by the end of the third quarter of 2012.