

Hutchison Telecom's Israel operation has created very high interest in a short time.



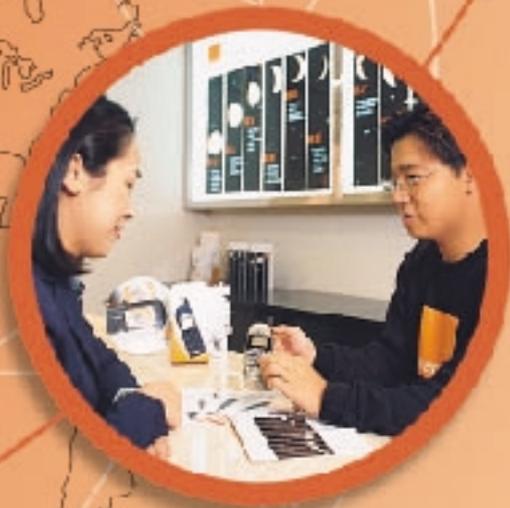
VoiceStream Wireless in the US had a remarkable performance in 1998.



Orange shops are fast expanding in key shopping areas in the UK.

Telecom- munications

The Group continues to build on its recognised telecommunications expertise as one of the leading competitors in mobile telecommunications in Hong Kong and the United Kingdom with a growing presence in mobile communications in a number of other locations in Europe, North America, and the Asia-Pacific region. The Group expanded its activities to Belgium, Switzerland and Austria in continental Europe, Israel, the United States of America, and has secured new wireless network licences in Australia.



Customers in Hong Kong are attracted to Orange for its quality and the variety of subscription packages.



Hutchison Telecom outlets provide customers with a wide choice of products and services.



Earnings before interest and tax from the Group's telecommunications division totaled HK\$474 million (1997 – HK\$388 million). The amount recorded for 1998 excludes exceptional profits totaling HK\$684 million (1997 – HK\$1,515 million) realised from the sale of the Group's remaining 11.49% interest in Asia Satellite Telecommunications Holdings.

HONG KONG OPERATIONS

Hutchison Telecommunications, which provides cellular, fixed line, internet, and paging services, recorded a 5% increase in EBIT despite operating in an environment of increasingly aggressive competition for subscribers by all telecommunications network operators and service providers. This positive result reflects the strong growth in its cellular subscriber base and the benefits of cost control measures.

During the year, the Group continued to focus on increasing its subscriber base, market share and the quality of customer service, as well as providing value for

money and innovative products to its subscribers. In September 1998, Hutchison Telecommunications launched, under the Orange brand name, Asia's first dualband GSM/PCS service which offers seamless access between its GSM and PCS networks to further enhance the quality of reception and to provide a wider range of innovative services and privileges to its subscribers. With over 1,500 cell sites on its three networks, Hutchison Telecommunications currently provides coverage to over 96% of Hong Kong's population. The total number of subscribers on its three networks



increased over 47% from the beginning of the year and currently the subscriber base totals more than 1,000,000 subscribers, which represents an approximate 34% share of the Hong Kong cellular market. Our subscribers are now being served by an expanded customer service and distribution network including 3 service centres, 42 retail outlets, 29 franchise stores, 69 sales counters in Watson's The Chemist and Fortress stores, and over 200 authorised dealer outlets carrying the Orange and Hutchison brand handsets. The Everyday Card offered to the Group's qualified subscribers provides a variety of discounts at over 1,000 leading retail outlets and continues to be popular with subscribers.

The construction and development of the fixed line network fibre optic backbone is on schedule for completion in the first half of this year. At the end of 1998, over 600 kilometres of duct work had been installed providing service to the various business districts, high density housing estates and private residential developments in Hong Kong. Steady progress has also been made in the marketing of the fixed line network including the award of contracts to provide high speed trunks for fixed line

Hutchison Telecom ensures quality mobile telephone network services with 24 hour supervision by dedicated technicians.





voice services for the Hospital Authority and the Hongkong & Shanghai Bank. Despite strong competition, the 0080 international dialling service grew its subscriber base to more than 664,000 at the end of 1998 and has recorded significantly improved earnings due to successful marketing and cost reduction programmes. Hutchison Telecommunications launched its HutchCity internet service on 17 November 1998 and its home page on the worldwide web, in English and Chinese, focuses on providing information technology, local and international news, financial, entertainment, leisure and sports information. Effective

1 January 1999, the Group had its licence extended to include an International Simple Resale ("ISR") licence and, as a result, has commenced leasing international private circuits to offer direct connections with other ISR countries. The licence was also extended to include an International Gateway Facility ("IGF") licence and effective 1 January 2000, the Group has the right to operate and/or own infrastructure for the direct placing of international calls and will be able to provide international gateway services to other network operators that do not have IGF licences.

The mobile Orange shop enables Orange to have a presence in smaller UK towns where it does not currently have shops.





Although the paging market is in decline as subscribers transfer from pagers to cellular telephones, the Group has maintained its dominant position in the paging market. The Group's paging business recorded improved earnings due to the successful implementation of major cost saving initiatives and the introduction of new revenue earning call centre activities earlier in the year.

Metro Broadcast Corporation, in which the Group has a 50% interest, broadcasts on three radio channels in Hong Kong. Its results were adversely affected by the overall cut back in advertising spending by Hong Kong companies.

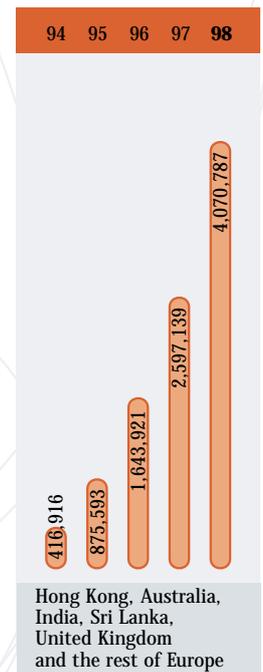
EUROPE OPERATIONS

Orange improved on its previous year's performance and expanded into continental Europe. Orange PCS gained over 21% of the UK's market growth in 1998 to end the year with over 2,162,000 subscribers and a 16.6% share of the national market, representing a 17%

increase in its market share. For the first time in 1998, "pay as you go" customers represented a significant proportion of overall growth in the UK market. Most importantly, Orange's strategy of focusing on high value customers, in both the contract and pay as you go segments, is delivering results. Currently Orange PCS has approximately 2,500,000 subscribers. Investment in the network infrastructure continued in 1998 and improved the depth and quality of coverage in the UK. Orange PCS now has the largest, best performing network in the UK providing coverage to more than 98% of the population. Orange's UK paging business and cellular service provider operation continue to perform in line with expectations.

In Europe, the service provider businesses in France and Germany also reported subscriber growth of 15% and 67% respectively. The installation of the third GSM network in Austria, in which Orange has a 17.45% interest, progressed satisfactorily and the network was launched in October 1998. At the end of 1998, the network had 26,000 subscribers, representing approximately 1% of the Austrian cellular market. In 1998, Orange expanded further in Europe with investments in Belgium and Switzerland. KPN Orange Belgium, a consortium in which Orange has a 50% interest, and Orange Communications SA in Switzerland, a consortium in which Orange has a 42.5% interest, are both on schedule to launch their GSM networks in

Cellular telephone subscribers



the middle of this year under the Orange brand name.

In February this year, the Group sold an approximate 4% interest in Orange plc and an exceptional profit of approximately HK\$5,000 million will be recorded in 1999.

ASIA PACIFIC OPERATIONS

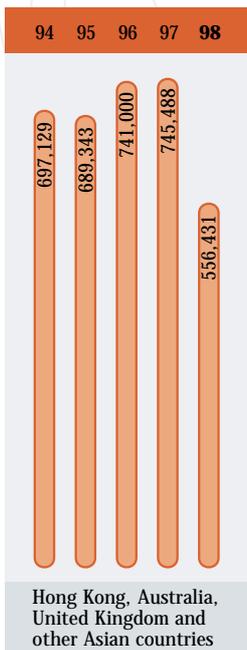
Despite economic troubles in Southeast Asia, the Group's Asia Pacific operations reported overall improved results over the previous year.

The Group's 70% owned GSM cellular service provider and paging operations in Australia had a record year due to a significant increase in revenues from its cellular service provider operations. At the end of 1998, its GSM cellular service provider business had over 191,000 subscribers, a significant 46% increase from the beginning of the year. The Group was awarded cellular network licences in

greater Sydney and Melbourne areas in 1998 and good progress is being made to develop CDMA networks in both areas to provide wireless, local and area wide mobile services. Network services are targeted for launch in the second half of this year and the network is expected to be fully completed in 2000.

During the year, the Group increased its effective equity interest in Hutchison Max Telecommunications ("HMT") in India from 29.4% to 49.5% and subscribed to preference shares issued by a company holding a substantial interest in HMT. This associated company recorded lower than expected subscriber growth and utilisation rates due to an overall slow mobile telephony market and currently the subscriber base totals approximately 138,000. In 1998, the Group focused on rationalising and consolidating HMT's paging businesses in India and now operates in seven cities with more

Pager subscribers



Mobile telephony in India has energised the local telecommunications market.





centralised administrative procedures and a subscriber base of approximately 63,000 subscribers. In Sri Lanka, the redeployment of the TACS network has been completed and the expanded network has been launched. The Group's paging joint ventures in Thailand, Malaysia and Singapore continue to be adversely affected by the economies in those countries. The Group's 66% owned joint venture company, Chung Kiu Telecommunications (China), which primarily provides telecommunications consultancy services and manufactures to order trunk radio systems and handsets, reported significantly reduced activity in 1998.

Hutchison Corporate Access, which provides communication services and equipment utilising very small aperture terminals ("VSAT"), made substantial progress in 1998, increasing its client base and revenues.

REST OF THE WORLD

The Group's 46.7% associated company Partner Communications, commercially launched Israel's first GSM network on 3 January 1999 under the Orange brand name and has already attracted a subscriber base of approximately 80,000. Good progress is being made on the network rollout and a nationwide service with 90% population coverage is expected to be achieved by the end of 1999.

VoiceStream Wireless Corporation, in which the Group has a 19.9% interest, had



an outstanding year of growth in 1998. Its subscriber base more than doubled during the year to approximately 322,000 subscribers at the year end. VoiceStream is a PCS business providing service mainly to the mid-western United States covering an area with a total population of approximately 66 million.

In Ghana, the Group acquired an 80% interest in an established cellular operator which has a nationwide cellular licence. The AMPS equipment from Hong Kong is being deployed in Ghana to provide additional capacity and to improve quality of service and network coverage.

Hutchison Telecom's attractive sales outlets in Israel make an impact in the market.