

The Directors have pleasure in submitting to shareholders their report and statement of the audited accounts for the year ended 31 December 2006.

## Principal Activities

The principal activity of the Company and its subsidiaries (the "Group") is the provision of mobile and fixed-line telecommunications services and the activities of its principal subsidiaries are shown on page 145.

## Group Profit

The consolidated income statement is set out on page 82 and shows the Group profit for the year ended 31 December 2006.

## Dividends

The Directors do not recommend the payment of any final dividend.

## Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 36(f) and note 28 to the accounts on pages 144 and 135 respectively.

## Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$7.1 million.

## Fixed Assets

Particulars of the movements of fixed assets are set out in note 19 to the accounts.

## Share Capital

Details of the share capital of the Company are set out in note 27 to the accounts.

## Directors

The Directors of the Company as at 31 December 2006 were:

### Chairman:

Mr Fok Kin-ning, Canning

### Executive Directors:

Mr Dennis Pok Man Lui

Mr Tim Lincoln Pennington

### Non-executive Directors:

Mr Frank John Sixt

Mr Naguib Sawiris

Mr Aldo Mareuse

### Independent Non-executive Directors:

Mr Kwan Kai Cheong  
 Mr John W Stanton  
 Mr Kevin Westley

### Alternate Directors:

Mrs Chow Woo Mo Fong, Susan  
 (Alternate to Mr Fok Kin-ning, Canning and Mr Frank John Sixt)  
 Mr Martin Wolfgang Michlmayr  
 (Alternate to Mr Naguib Sawiris)  
 Mr Ragy Soliman  
 (Alternate to Mr Aldo Mareuse)  
 Mr Chan Ting Yu  
 (Alternate to Mr Dennis Pok Man Lui)  
 Mr Woo Chiu Man, Cliff  
 (Alternate to Mr Tim Lincoln Pennington)

Mrs Chow Wo Mo Fong, Susan was appointed as Alternate Director to Mr Frank John Sixt on 1 September 2006 in place of Ms Nardi, Kar Wai Agnes, who resigned as Alternate Director to Mr Sixt on 31 August 2006.

On 28 February 2007, Mr Naguib Sawiris resigned as Non-executive Director of the Company, and Mr Martin Wolfgang Michlmayr automatically ceased to act as his Alternate Director. On the same day, Mr Michael John O'Connor was appointed as Non-executive Director of the Company, and he appointed Mr Michlmayr as his Alternate Director. The Board expresses its gratitude to Mr Sawiris for his valuable contributions to the Company and welcomes Mr O'Connor to the Board.

In accordance with Article 86(3) of the Company's Articles of Association, Mr O'Connor will retire by rotation at the forthcoming annual general meeting and being eligible, offers himself for re-election.

In accordance with Article 87(1) of the Company's Articles of Association, Messrs Dennis Pok Man Lui and Kwan Kai Cheong will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company received confirmation from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out from pages 12 to 15.

### Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### Interest in Contracts

No contracts of significance in relation to the businesses of the Company and its subsidiary companies to which the Company or a subsidiary company was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Connected Transactions

- (1) On 27 January 2006, a share purchase agreement was entered into between CGP Investments (Holdings) Limited ("CGP"), an indirect wholly owned subsidiary of the Company, as purchaser and Hutchison Call Centre Holdings Limited ("HCCH"), an indirect wholly owned subsidiary of HWL, as vendor for the acquisition (the "HTSI Acquisition") of the entire issued share capital (the "Sale Shares") of Hutchison Tele-Services (India) Holdings Limited ("HTSI") (which, through its wholly owned subsidiary, namely 3 Global Services Private Limited ("GSPL"), operates a telecommunications services call centre in India (the "India Call Centre")) at the cash consideration of US\$14,174,881. On completion of the HTSI Acquisition, CGP granted to HCCH a call option and HCCH granted to CGP a put option in respect of the Sale Shares (together the "Options") at a strike price being the aggregate of CGP's acquisition and investment cost plus interest accrued and after deduction of any distributions made by HTSI for the period from the completion date to the date of transfer of the Sale Shares pursuant to an exercise of either Option. By subsequent mutual agreement, CGP, HCCH and GSPL agreed that for the same exercise price, the Options would be exercisable over the business and assets and liabilities of the India Call Centre instead of the Sale Shares. HCCH is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. The HTSI Acquisition and the Options constituted connected transactions for the Company under the Listing Rules.
- (2) On 1 March 2006, in anticipation of the current and future compliance with the new rules governing foreign direct investment in mobile telecommunications operators in India, the Group restructured their interests in Hutchison Essar Limited (the "Reorganisation"). To effect the Reorganisation, the connected transactions all entered into on 1 March 2006 by the Group included:
- a. the sale by Kotak Mahindra Group and Komaf Enterprises Limited ("Komaf", together with the Kotak Mahindra Group, the "Kotak Group") and the purchase by Telecom Investments India Private Ltd ("TII") of an aggregate of 64% of JKF's issued ordinary share capital for an aggregate consideration of INR2,247,303,344 (approximately HK\$393 million);
  - b. the subscription by Centrino Trading Company Private Limited ("CTCP") of new ordinary shares in the share capital of TII (the "TII Shares") representing 23.97% of the enlarged issued ordinary share capital of TII for an aggregate cash consideration of INR4,898,579,655 (approximately HK\$856.4 million) (the "CTCP Subscription");
  - c. the issue, at the Company's request, of a US\$124.5 million (or approximately HK\$966 million) standby letter of credit ("SBLC") dated 24 February 2006 by a financial institution independent of the Company as security for an INR4,898,579,655 (or approximately HK\$856 million) term loan facility made available to CTCP by a financial institution independent of the Company to fund the CTCP Subscription;
  - d. in consideration of (c), various options were granted, the exercise of which would result in the acquisition by the Group of CTCP shares, shares of Plustech Mercantile Company Private Limited ("PMCP"), the holding company of CTCP, and/or TII shares;
  - e. the issue, at the Company's request, of a US\$200 million (or approximately HK\$1,552 million) SBLC dated 24 February 2006 by a financial institution independent of the Company as security for an INR7,924,411,516 (or approximately HK\$1,385 million) term loan facility made available to ND Callus Info Services Private Limited ("NDCIS") by a financial institution independent of the Company to fund its acquisition of all the TII Shares held by the Kotak Group; and
  - f. in consideration of (e), various options were granted, the exercise of which would result in the acquisition by the Group of NDCIS shares, shares of MV Healthcare Services Private Limited ("MVH"), the holding company of NDCIS and/or TII shares.

CTCP and PMCP are all connected persons of the Company by virtue of being associates of Mr Asim Ghosh, the managing director of Hutchison Essar Limited ("Hutchison Essar"). NDCIS and MVH are all connected persons of the Company by virtue of being associates of Mr Analjit Singh who was a director of Hutchison Essar in the 12 months prior to the Reorganisation. Each of the Kotak Mahindra Group and Komaf was a connected person of the Company by virtue of being a substantial shareholder in JKF.

- (3) On 31 July 2006, Hutchison Global Communications Holdings Limited ("HGCH", an indirect wholly owned subsidiary of the Company) as vendor and Hutchison E-Commerce International Limited ("HEIL", an indirect wholly owned subsidiary of HWL) as purchaser entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Under the Sale and Purchase Agreement, HEIL agreed to purchase from HGCH (i) the entire issued share capital of Vanda IT Solutions & Systems Management Limited ("VISS", the then indirect wholly owned subsidiary of the Company) and (ii) all loans advanced up to 30 June 2006 (the "Effective Date"), amounting to HK\$599,716,364.07 and subject to adjustments, by HGCH to other members of the VISS group (together with, where applicable, interest thereon up to the Effective Date) for a total cash consideration of HK\$105 million. On completion, VISS ceased to be an indirect wholly owned subsidiary of the Company and became an indirect wholly owned subsidiary of HWL. HEIL was a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. The above transaction constituted a connected transaction for the Company under the Listing Rules.

After completion of the above transaction, HGCH continued to provide financial assistance by various guarantees of an aggregate sum equivalent to about HK\$344 million as at the Effective Date (the "Vendor Guarantees") in favour of various wholly owned subsidiaries of VISS (the "VISS Group Beneficiaries") as security in support of a number of financing and/or equipment purchase transactions entered into by the VISS Group Beneficiaries, subject to a counter-indemnity issued on completion by HEIL in favour of HGCH pending the discharge and release of the Vendor Guarantees. Each of the VISS Group Beneficiaries was a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. The continuing provision of the Vendor Guarantees, after completion, constituted financial assistance provided by the Company not in the ordinary and usual course of business and for the benefit of connected persons and constituted connected transactions for the Company under the Listing Rules.

## Continuing Connected Transactions

The following were continuing connected transactions (the "Continuing Connected Transactions") for the Company during the year:

- (1) Various members of the Group have separately entered into cost sharing agreements (the "Cost Sharing Agreements") with HWL and its subsidiaries (excluding the Group, the "HWL Group") pursuant to which members of the HWL Group and members of the Group together join in global procurement and development projects for the acquisition and development of information technology platforms and software solutions and applications, hardware, content and other services in connection with the roll-out and ongoing operation of the 3G business of members of the Group. In connection with the performance of obligations of the members of the Group under some of the underlying contracts in relation to the global procurement activities, members of the HWL Group have provided guarantees in favour of counterparties thereunder. The relevant members of the Group have borne appropriate proportion of the total external and internal costs and expenses incurred in connection with such joint procurement activities and pay a guarantee fee (where the HWL Group has provided a guarantee) and a management fee to the HWL Group determined at normal commercial rates. The Cost Sharing Agreements constituted continuing connected transactions for the Company under the Listing Rules.
- (2) Members of the Group, as lessees or licensees, have entered into various lease and licence arrangements (the "Lease and Licence Arrangements") with members of the HWL Group, as landlords or licensors, in respect of building spaces and other premises for use by members of the Group as offices or for other business purposes. The Lease and Licence Arrangements constituted continuing connected transactions for the Company under the Listing Rules.
- (3) Under an agreement dated 23 May 1998 with A. S. Watson Group (HK) Limited ("ASW", an indirect wholly owned subsidiary of HWL) and another agreement dated 21 June 2004 with Watson's The Chemist Limited, a subsidiary of ASW, both as supplemented and/or amended from time to time (collectively the "Retail Services Agreements"), Hutchison Telecommunications (Hong Kong) Limited ("HTHK", an indirect wholly owned subsidiary of the Company) sold, at the Fortress and Watson retail outlets operated by ASW in Hong Kong 2G and 3G handsets and/or telecommunications services in consideration of which HTHK paid commissions to ASW. The Retail Services Agreements constituted continuing connected transactions for the Company under the Listing Rules.

- (4) Under an agreement ("3G Dealership Services Agreement") dated 27 May 2004 between ASW and Hutchison 3G Services (HK) Limited ("H3GSHK", an indirect non wholly owned subsidiary of the Company), ASW was appointed as non-exclusive dealer for H3GSHK for sale at retail outlets operated by Fortress in Hong Kong of 3G handsets and/or telecommunications services provided by H3GSHK, under which ASW received commission from H3GSHK. The 3G Dealership Services Agreement constituted a continuing connected transaction for the Company under the Listing Rules.
- (5) Pursuant to an agreement dated 24 September 2004 between the Company and Hutchison International Limited ("HIL", the then intermediate holding company of the Company and is a wholly owned subsidiary of HWL), members of the Group shared with the HWL Group services including, among others, legal and regulatory services, company secretarial support services, tax and internal audit services, shared use of accounting software system and related services, participation in the HWL Group's pension, medical and insurance plans, participation in the HWL Group's procurement projects with third-party vendors/suppliers, other staff benefits and staff training services, company functions and activities services as well as operation advisory and support services in consideration of which the Group paid a fee to the HWL Group for the provision of such services (the "Shared Services Arrangements").

Pursuant to an agreement dated 30 November 2006 between the Company and HIL, the members of the Group shared with HWL Group IT services (in relation to finance and human resources systems) for an initial period of one year commencing from 1 January 2006, with automatic one-year renewals on the anniversary of the commencement date for three successive periods (the "IT Services Agreement"). The IT Services Agreement supersedes the Shared Services Arrangements insofar it relates to the provision of the shared use of the accounting software system and related services.

The Shared Services Arrangements and IT Services Agreement constituted continuing connected transactions for the Company under the Listing Rules.

- (6) Members of the Kotak Mahindra Group have provided investment banking and advisory services (the "Kotak Advisory Services") to members of the Group in respect of the Group's investments in India, pursuant to engagement letters executed between relevant members of the Kotak Mahindra Group and relevant members of the Group as and when the advisory services were required in return for customary fees and commissions. Members of the Kotak Mahindra Group were connected persons of the Company by virtue of having been substantial shareholders of JayKay Finholding (India) Private Limited, an indirect non wholly owned subsidiary of the Company and other Indian subsidiaries of the Company. The provision of Kotak Advisory Services constituted a continuing connected transaction for the Company under the Listing Rules. Members of the Kotak Mahindra Group have ceased to be connected persons of the Company since 1 March 2006.
- (7) On 14 August 1996, a marketing agreement (the "Thai Marketing Agreement") was entered into between Hutchison CAT Wireless MultiMedia Limited ("Hutchison CAT", a company consolidated into the Group's financial statements as subsidiary) and CAT Telecom Public Company Limited ("CAT Telecom") under which Hutchison CAT provided exclusive marketing services for CAT Telecom in 25 provinces located in central Thailand, whereby Hutchison CAT was responsible for marketing and selling mobile phones and mobile telecommunications services to the public on behalf of CAT Telecom, as well as providing after-sales services and other supplementary services relating to such sales and marketing activities. Hutchison CAT marketed CAT Telecom's CDMA2000 1X network services under the Hutch brand name and received a percentage of the access fees, monthly services fees and sign-on fees paid by the subscribers. Hutchison CAT was also liable to pay to CAT Telecom certain network operating expenses. The Thai Marketing Agreement constituted a continuing connected transaction for the Company under the Listing Rules.

- (8) The Group has had the following funding arrangements in Thailand (the "Thai Financial Assistance") with respect to the Company's connected persons:
- a. Pursuant to the shareholders' agreement dated 16 October 2000 between Hutchison Telecommunications Investment Limited, an indirect wholly owned subsidiary of the Company, GMRP (Thailand) Limited ("GMRP"), and three other Thai minority shareholders with respect to Hutchison Wireless MultiMedia Holdings Limited ("Hutchison Wireless"), the Group advanced to GMRP an interest-free loan of THB4,350,000 for GMRP to acquire its initial equity interest in Hutchison Wireless, secured by pledges to the Group of its shares in Hutchison Wireless. The loan had no fixed repayment date but was repayable upon the transfer of the shares in Hutchison Wireless held by GMRP to the Group, if the option arrangements were ever exercised. The Group had agreed to make interest-free advances to GMRP to enable the latter to maintain an aggregate 41% interest in Hutchison Wireless, should additional shares be issued by Hutchison Wireless.
  - b. Pursuant to the shareholders' agreement dated 16 October 2000 between Light Power Telecommunications Limited ("Light Power", an indirect wholly owned subsidiary of the Company) and DPBB (Thailand) Limited ("DPBB") with respect to PKNS (Thailand) Limited ("PKNS"), the Group advanced to DPBB an interest-free loan of THB127,500 for DPBB to acquire its 51% interest in PKNS, secured by pledges to the Group of its shares in PKNS. The loan had no fixed repayment date but was repayable upon the transfer of the shares in PKNS held by DPBB to Light Power, if the option arrangements were ever exercised. The Group had agreed to make interest-free advances to DPBB to enable the latter to meet any future equity contribution obligations for the purpose of maintaining its 51% shareholding in PKNS.

The provision of the Thai Financial Assistance by the Group constituted a continuing connected transaction for the Company under the Listing Rules.

- (9) On 16 June 2005, in order to achieve greater efficiency in communications between the offices of the Group, which were then situated in different locations in Hong Kong, and allow more room for expansion, the Company consolidated and relocated most of such offices to the premises currently known as Hutchison Telecom Tower, located at 99 Cheung Fai Road, Tsing Yi, New Territories, Hong Kong ("Hutchison Telecom Tower") by entering into a tenancy agreement (together the "Tsing Yi Tenancy Agreements") of three year term ("Term") commencing from 1 May 2005 (subject to any request from the tenant for options to renew the tenancy for two successive periods of three years each on terms to be agreed) between Hongkong International Terminals Limited ("HIT", an indirect non wholly owned subsidiary of HWL) as landlord and each of (1) Hutchison Telecommunications International (HK) Limited ("HTIHK", an indirect wholly owned subsidiary of the Company) as tenant for the lease of the whole of the 20th Floor and portion of the 18th Floor of the Hutchison Telecom Tower (the "HTIHK Premises"), with a gross floor area of approximately 20,000 sq.ft. at (i) rental (excluding Government rent, rates and service charges) of HK\$5.5 per sq.ft. and (ii) management fee in the range of HK\$1.8 to HK\$2.3 per sq.ft. of gross floor area per month during the Term; (2) HTHK as tenant for the lease of the 7th, 11th, 12th and 15th Floors, and portions of the 5th, 8th, 16th, 18th and 19th Floors of Hutchison Telecom Tower (the "HTHK Premises") with a gross floor area of approximately 152,931 sq.ft. at (i) rental (excluding Government rent, rates and service charges) of HK\$6.9 per sq.ft. for 11th and 12th Floors and HK\$5.5 per sq.ft. for the other areas of the HTHK Premises and (ii) management fee in the range of HK\$1.8 to HK\$2.3 per sq.ft. of gross floor area per month during the Term; and (3) Hutchison Global Communications Limited ("HGC", a wholly owned subsidiary of HGCH, a then indirect non wholly owned subsidiary of the Company) as tenant for the lease of the whole of the 9th, 10th and 17th floors and portions of the 5th, 6th, 8th, 16th, 18th and 19th floors of Hutchison Telecom Tower (the "HGC Premises") with a gross floor area of approximately 130,000 sq.ft. at (i) rental (excluding Government rent, rates and service charges) of HK\$5.5 per sq.ft. and (ii) management fee in the range of HK\$1.8 to HK\$2.3 per sq.ft. of gross floor area per month during the Term.

HIT is a connected person of the Company by virtue of it being an associate of a substantial shareholder of the Company. The tenancy of each of the HTIHK Premises, the HTHK Premises and the HGC Premises constituted a continuing connected transaction for the Company under the Listing Rules.

### Grant of Waiver

On 30 September 2004, the Stock Exchange granted to the Company a conditional waiver (the "Waiver") from strict compliance with the disclosure and/or independent shareholders' approval requirements as stipulated in Chapter 14A of the Listing Rules in connection with the continuing connected transactions set out in (1) to (8) above on the basis of the facts and circumstances described in the Company's submission dated 2 September 2004 (as supplemented and consolidated in a subsequent submission dated 18 September 2004) and the Prospectus.

### Annual Review Requirements

The aggregate annual rental payable under the continuing connected transactions set out in (9) above represents less than 2.5% of the applicable percentage ratios and are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing rules. Based on the rent and the maximum management fees mentioned above, the annual caps, excluding Government rent, rates and service charges, for each of the financial years ending 31 December 2006 and 2007, and four months ending 30 April 2008 were set at (i) HK\$1.8 million, HK\$1.848 million and HK\$0.624 million respectively for the HTIHK Premises; (ii) HK\$14.693 million, HK\$15.06 million and HK\$5.081 million respectively for the HTHK Premises; and (iii) HK\$11.70 million, HK\$12.012 million and HK\$4.056 million respectively for the HGC Premises.

The single highest amount or aggregate amounts, as applicable, attributable to each category of the continuing connected transactions for the year ended 31 December 2006 (the "2006 Continuing Connected Transactions") were as follows:

2006 Continuing Connected Transactions	Single highest amount or aggregate amount, as applicable, for the year ended 31 December 2006 HK\$ millions
(1) Cost Sharing Agreements (single highest amount)	7.00
(2) Lease and Licence Arrangements (single highest amount)	3.64
(3) (a) Retail Services Agreements	(a) 0.90
(b) 3G Dealership Services Agreement	(b) 20.30
(4) Shared Services Arrangements	28.80 (Note 1)
(5) Kotak Advisory Services	15.60 (Note 2) (US\$2 million)
(6) Thai Marketing Agreement:	
(a) revenue to the Group	(a) 991.69
(b) network operating expenses to CAT Telecom	(b) 14.75
(7) Thai Financial Assistance to:	
(a) GMRP	(a) 0.94
(b) DPBB	(b) 0.03
(8) Tsing Yi Tenancy Agreements	27.82

*Notes:*

- (1) The above aggregate amount is inclusive of the service charges arising from the shared use of the HWL Group IT services.  
 (2) The services charges were incurred before 1 March 2006 and were the entire amount charged during the year ended 31 December 2006.

All the Independent Non-executive Directors of the Company have reviewed the 2006 Continuing Connected Transactions, and confirmed that:

- (1) the 2006 Continuing Connected Transactions had been entered into (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (2) the single highest amount paid by the relevant member of the Group in respect of, or aggregate amount of, each type of the 2006 Continuing Connected Transactions for the year ended 31 December 2006, as applicable, did not exceed the cap amounts as stated in the Prospectus and referred to in the Waiver or in the previous announcement (as applicable).

Based on the work performed, the Company's auditor has confirmed in a letter to the Board of Directors of the Company to the effect that the 2006 Continuing Connected Transactions:

- (1) have been approved by the Board of Directors of the Company;
- (2) were in accordance with the pricing policies of the Group if such transactions involved provision of goods and services by the Group;
- (3) were entered into in accordance with the terms of the relevant agreements governing such transactions; and
- (4) did not exceed the respective cap amounts as stated in the Company's Prospectus and referred to in the Waiver or in the previous announcement (as applicable).

Save as disclosed above, the transactions disclosed as related party transactions in note 33 to the accounts are not connected transactions or continuing connected transactions as defined under the Listing Rules or are connected transactions or continuing connected transactions exempt from the reporting requirements under the Listing Rules.



## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules adopted by the Company (the "Model Code") were as follows:

### (I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

#### Long Positions in the Shares/Underlying Shares of the Company

Name of Director/ Alternate Director	Capacity	Nature of interests	Number of Shares held	Number of underlying shares held		Approximate % of shareholding
				in American Depository Shares	in share options	
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 <i>(Note 1)</i>	-	-	0.0252%
Frank John Sixt	Beneficial owner	Personal interest	-	255,000 <i>(Note 2)</i>	-	0.0054%
Naguib Sawiris <i>(Note 3)</i>	Beneficiary of a trust	Other interest	917,759,172 <i>(Note 4)</i>	-	-	19.26%
Dennis Pok Man Lui	Beneficial owner	Personal interest	100,000	-	13,500,000 <i>(Note 6)</i>	0.2854%
Tim Lincoln Pennington	Beneficial owner	Personal interest	-	-	5,000,000 <i>(Note 6)</i>	0.1049%
John W Stanton	Interest held jointly with spouse	Other interest	-	105,000 <i>(Note 5)</i>	-	0.0022%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	250,000	-	-	0.0052%
Chan Ting Yu	Beneficial owner	Personal interest	100,000	-	5,000,000 <i>(Note 6)</i>	0.1070%
Woo Chiu Man, Cliff	Beneficial owner	Personal interest	-	-	3,500,000 <i>(Note 6)</i>	0.0734%

#### Notes:

- Such shares were held by a company which is equally controlled by Mr Fok Kin-ning, Canning and his spouse.
- 17,000 American Depository Shares (each representing 15 ordinary shares) were held by Mr Frank John Sixt.
- Mr Naguib Sawiris resigned as Director of the Company on 28 February 2007.
- Such Shares were held by a wholly owned subsidiary of Orascom Telecom Holding S.A.E. ("OTH") which is an indirect non wholly owned subsidiary of February Private Trust Company Limited ("FPT"), which in turn is the trustee of a discretionary trust ("DT") whose founder is Mr Nassef Onsi Naguib Sawiris. Mr Naguib Sawiris, his spouse and children are beneficiaries of the DT. Please also see Note 11 on page 61.
- 7,000 American Depository Shares (each representing 15 ordinary shares) were held jointly by Mr John W Stanton and his spouse.
- Such interests are directors' interests in underlying shares in respect of the share options granted under the share option scheme of the Company, the details of which are set out in the section entitled "Share Option Scheme of the Company" on page 63.

## (II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations of the Company

### *Long Positions in the Shares of the Associated Corporation of the Company*

As at 31 December 2006, Mr Fok Kin-ning, Canning held corporate interests in 225,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.146% of the then issued share capital, in Partner Communications Company Ltd. through a company which is equally controlled by Mr Fok and his spouse.

Save as disclosed above, as at 31 December 2006, none of the Directors and chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

## Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Directors or chief executive of the Company, as at 31 December 2006, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

### (I) Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

#### *Long Positions in the Shares of the Company*

Name	Capacity	Number of Shares held	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	(i) Beneficial owner	2,178,903,076 ) (Note 1) )	
	(ii) Interest of a controlled corporation	187,966,653 ) (Note 1) )	49.66%
Hutchison Telecommunications Limited ("HTL")	Interest of controlled corporations	2,366,869,729 (Note 1)	49.66%
Hutchison International Limited ("HIL")	Interest of controlled corporations	2,366,869,729 (Note 1)	49.66%
HWL	Interest of controlled corporations	2,366,869,729 (Note 1)	49.66%

*Long Positions in the Shares of the Company*

Name	Capacity	Number of Shares held	Approximate % of shareholding
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	2,418,962,316 <i>(Note 2)</i>	50.75%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	2,418,962,316 <i>(Note 3)</i>	50.75%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	2,418,962,316 <i>(Note 4)</i>	50.75%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	2,418,962,316 <i>(Note 4)</i>	50.75%
Li Ka-shing ("Mr Li")	(i) Founder of discretionary trusts and interest of controlled corporations (ii) Interest of controlled corporations	2,419,115,596 ) <i>(Note 5)</i> ) 27,513,355 ) <i>(Note 6)</i> )	51.34%
Orascom Telecom Eurasia Limited ("OTE")	Beneficial owner	917,759,172 <i>(Note 7)</i>	19.26%
OTH	Interest of a controlled corporation	917,759,172 <i>(Note 7)</i>	19.26%
Weather Capital Sarl ("WCS")	Interest of controlled corporations	917,759,172 <i>(Note 7)</i>	19.26%
Weather Investments S.p.A. ("WIS")	Interest of controlled corporations	917,759,172 <i>(Note 7)</i>	19.26%
Weather Investments II Sarl ("WI II")	Interest of controlled corporations	917,759,172 <i>(Note 7)</i>	19.26%
April Holding ("AH")	Interest of controlled corporations	917,759,172 <i>(Note 7)</i>	19.26%
FPT	Interest of controlled corporations and trustee	917,759,172 <i>(Note 8)</i>	19.26%
Nassef Onsi Naguib Sawiris	Founder of a discretionary trust	917,759,172 <i>(Note 9)</i>	19.26%

## (II) Interests and Short Positions of Other Person in the Shares and Underlying Shares of the Company

*Long Positions in the Shares of the Company*

Name	Capacity	Number of Shares held	Approximate % of shareholding
JPMorgan Chase & Co. ("JCC")	(i) Beneficial owner	1,229,053 )	5.99%
	(ii) Investment manager	159,861,000 )	
	(iii) Approved lending agent	124,317,800 )	
		(Note 10) )	

*Notes:*

- HTIHL is a direct wholly owned subsidiary of HTL, which in turn is a direct wholly owned subsidiary of HIL, which in turn is a direct wholly owned subsidiary of HWL. By virtue of the SFO, HWL, HIL and HTL are deemed to be interested in the 2,178,903,076 Shares and 187,966,653 Shares held respectively by HTIHL and a wholly owned subsidiary of HTIHL. Please also see Note 11 below.*
- Certain subsidiary companies of CKH together hold one third or more of the issued share capital of HWL. By virtue of the above, CKH is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL or HTL is taken as interested as a substantial shareholder of the Company under the SFO. CKH is also interested in the share capital of the Company through certain wholly owned subsidiary companies of CKH. Please also see Note 11 below.*
- TUT1, as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one third or more of the voting power at their general meetings ("related companies"), hold more than one third of the issued share capital of CKH. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares of CKH, TUT1 as trustee of UT1 is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL or HTL is taken as interested (together with CKH's interest in the share capital of the Company through certain wholly owned subsidiary companies) as a substantial shareholder of the Company under the SFO. Please also see Note 11 below.*
- Each of TDT1 as trustee of a discretionary trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2") holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL or HTL is taken as interested (together with CKH's interest in the share capital of the Company through certain wholly owned subsidiary companies) as a substantial shareholder of the Company under the SFO. Please also see Note 11 below.*
- Mr Li is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. Mr Li is also interested in one third of the entire issued share capital of a company owning the entire issued share capital of TUT1, TDT1 and TDT2. By virtue of the above and as a director of CKH, Mr Li is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL or HTL is taken as interested (together with CKH's interest in the share capital of the Company through certain wholly owned subsidiary companies) as a substantial shareholder of the Company under the SFO. Please also see Note 11 below.*
- Such shares are held by companies of which Mr Li is interested in the entire issued share capital.*
- OTE is a direct wholly owned subsidiary of OTH, which in turn is a non wholly owned subsidiary of WCS, which in turn is a wholly owned subsidiary of WIS, which in turn is a non wholly owned subsidiary of WI II, which in turn is a non wholly owned subsidiary of AH. Please also see Note 11 below.*
- AH is a wholly owned subsidiary of FPT. By virtue of the SFO, FPT, as trustee of a discretionary trust ("DT"), is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which OTE is taken to be interested as a substantial shareholder of the Company under the SFO. Please also see Note 11 below.*
- Mr Nassef Onsi Naguib Sawiris is the founder of the DT and is taken to have a duty of disclosure in relation to the Shares under the SFO. He is also deemed to be interested in the Shares in which the DT is taken to have a duty of disclosure under the SFO. Please also see Note 11 below.*
- Certain subsidiary companies of JCC and JCC together hold 5% or more of the issued share capital of the Company. By virtue of the SFO, JCC is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company.*
- According to the disclosures made to the Company pursuant to and solely for the purposes of the SFO, each of Mr Li, CKH, TUT1, TDT1, TDT2, HTIHL, HTL, HIL and HWL appeared to be taken as being interested in the 917,759,172 Shares beneficially owned by OTE and controlled exclusively by OTE and OTH, and each of Mr Naguib Sawiris, OTH, OTE, WCS, WI II, FPT and Mr Nassef Onsi Naguib Sawiris appeared to be taken as being interested in the 2,366,869,729 Shares beneficially owned by HTIHL (and its controlled corporation) and controlled exclusively by HWL, HIL, HTL and HTIHL, all as a result of the application of Sections 317 and 318 of the SFO by virtue of HWL, HTIHL, OTH and OTE being parties to a shareholders' agreement dated 21 December 2005 that imposes obligations or restrictions on any party with respect to their use, retention or disposal of their Shares even though no Shares have been acquired in pursuance of that agreement.*

Save as disclosed above, as at 31 December 2006, there was no other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

## Directors' Interests in Competing Business

During the year, the following Directors and their respective associates had interests in the following business (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company required to be disclosed pursuant to Listing Rule 8.10:

Name of Director/ Alternate Director	Name of Company	Nature of Competing Business	Interest in the Competing Business
Naguib Sawiris *	Orascom Telecom Holding S.A.E.	Mobile network operator in the Middle East, Africa and South Asia	Indirect Shareholder and Director (Chairman & CEO)
	Orascom Telecom Algeria S.p.A.	Provision of mobile telecommunications services in Algeria	Director (Chairman)
	Pakistan Mobile Communications Limited	Provision of mobile telecommunications services in Pakistan	Director (Chairman)
	Egyptian Company for Mobile Services S.A.E.	Provision of mobile telecommunications services in Egypt	Director (Chairman)
	Sheba Telecom (Pvt) Limited	Provision of mobile telecommunications services in Bangladesh	Director
	Orascom Telecom Iraq Corp.	Provision of mobile telecommunications services in Iraq	Director
	Consortium Algerian de Telecommunication S.p.A.	Provision of fixed-line telecommunications services in Algeria	Director
	Wind Telecomunicazioni S.p.A.	Provision of mobile and fixed-line telecommunications services in Italy	Indirect Shareholder and Director (Chairman)
Aldo Mareuse	Orascom Telecom Algeria "Djezzy"	GSM operation in Algeria	Non-executive Director
	Orascom Telecom Tunisia "Tunisiana"	GSM operation in Tunisia	Non-executive Director
	Pakistan Mobile Communications Ltd. "Mobilink"	GSM operation in Pakistan	Non-executive Director
	Wind Telecomunicazioni S.p.A.	GSM operation in Italy	Non-executive Director
	Egyptian Company Mobile Services	GSM operation in Egypt	Non-executive Director
Ragy Soliman	Orascom Telecom Algeria S.p.A.	Provision of mobile telecommunications services in Algeria	Director
	Pakistan Mobile Communications Limited	Provision of mobile telecommunications services in Pakistan	Director
	Sheba Telecom (Pvt) Limited	Provision of mobile telecommunications services in Bangladesh	Director
	Orascom Telecom Tunisia	Provision of mobile telecommunications services in Tunisia	Director
	Wind Telecomunicazioni S.p.A.	Provision of mobile telecommunications services in Italy	Director
	Weather Investments S.p.A.	Holding company of certain telecom assets	Director

\* Mr Naguib Sawiris resigned as Director of the Company on 28 February 2007.

As the Board is independent of the boards of the above entities, the Group has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

During the year, Messrs Fok Kin-ning, Canning and Frank John Sixt, both being Non-executive Directors, and Mrs Chow Woo Mo Fong, Susan, being an Alternate Director, were executive directors of HWL and certain of HWL's subsidiaries which were engaged in telecommunications businesses. Mr Dennis Pok Man Lui was also a non-executive director of a subsidiary of HWL in Argentina.

The non-competition agreement entered into by the Company and HWL on 24 September 2004 maintained a clear geographical delineation, underpinned by the regulatory regime, of the two groups' respective businesses ensuring there would be no competition between them. The exclusive territory of the HWL group comprised the member countries of the European Union (prior to its enlargement in 2004), the Vatican City, the Republic of San Marino, the Channel Islands, Monaco, Switzerland, Norway, Greenland, Liechtenstein, Australia, New Zealand, the United States of America, Canada and, unless and until such time as the Group exercises its option to acquire HWL group's interest in Hutchison Telecommunications Argentina S.A., Argentina. The exclusive territory of the Group comprised all the remaining countries of the world. There is no single country in which both groups have competing operations.

Save as disclosed above, none of the Directors and their respective associates has an interest in any business which competes or is likely to compete, either directly or indirectly, with the principal businesses of the Company.

## Share Options and Directors' Rights to Acquire Shares

The Group operates certain option schemes, details of which are as follows:

### (I) Share Option Scheme of the Company

The Company's share option plan (the "Share Option Scheme"), conditionally approved and adopted by a resolution of the then sole shareholder of the Company passed on 17 September 2004, was approved at an extraordinary general meeting of shareholders of HWL on 19 May 2005. It was subsequently amended by written resolutions of the Directors of the Company passed on 12 July 2005 and 9 February 2006 respectively.

The Share Option Scheme has a term of 10 years commencing on the date on which the Share Option Scheme becomes unconditional and its purpose is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, including but not limited to:

- any employee or consultant in the areas of finance, business or personnel administration or information technology (whether full-time or part-time, including any Executive Director but excluding any Non-executive Director) of the Company, any of its subsidiary companies or any entity in which any member of the Group holds any equity interest, which is also referred to as an invested entity;
- any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of the Company's subsidiary companies or any invested entity;
- any supplier of goods or services to any member of the Group or any invested entity;
- any customer of any member of the Group or any invested entity;
- any person or entity that provides research, development or other technological support to any member of the Group or any invested entity;
- any shareholders or security holders of any member of the Group or any invested entity;
- any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- any company wholly owned by any one or more persons belonging to any of the above classes of participants.

The grant of any options by the Company for the subscription of ordinary shares or other securities of the Company to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of options under the Share Option Scheme. The eligibility of any of the foregoing classes of participants to receive a grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

The maximum number of ordinary shares that may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under this Share Option Scheme and any other share option plan must not in the aggregate exceed 30% of the Company's ordinary shares issued and outstanding from time to time. The total number of ordinary shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of this Share Option Scheme and any other share option plan of the Group) to be granted under this Share Option Scheme and any other share option plan of the Company must not in the aggregate exceed 10% of the relevant class of securities of the Company in issue, being 450,000,000 ordinary shares, as at 15 October 2004, the date on which the shares of the Company were first listed and upon refreshing this general plan limit, the total number of shares which may be allotted and issued upon exercise of all options to be granted under this Share Option Scheme and any other plan of the Company must not exceed 10% of the relevant class of securities of the Company in issue as at the date of approval of the limit by its shareholders in general meeting. The Company may seek separate approval of shareholders in a general meeting to grant options beyond these limits.

The total number of ordinary shares of the Company issued and which may fall to be issued upon exercise of the options (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Company's issued share capital for the time being. Any grant of options in excess of 1% in any such 12-month period must be approved by shareholders in a general meeting with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the shareholders and the date of the board meeting proposing such further grant will be the date of grant for the purpose of calculating the exercise price if such grant is approved.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is also the grantee of the options). Approval of shareholders of the Company in a general meeting is required if any grant of options to a substantial shareholder, an Independent Non-executive Director or any of their respective associates could result in the ordinary shares issued and to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) representing in the aggregate over 0.1% of the ordinary shares in issue; and (2) having an aggregate value, based on the closing price of the ordinary shares at the date of each grant, in excess of HK\$5 million. Any such meeting must be in accordance with the Listing Rules. Any change in the terms of options granted to a substantial shareholder, an Independent Non-executive Director or any of their respective associates must also be approved by shareholders in a general meeting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. The subscription price for ordinary shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of: (1) the closing price of ordinary shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of ordinary shares on the date of the offer of grant which must be a business day; (2) the average closing price of ordinary shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of ordinary shares for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (3) the nominal value of the ordinary shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Details of the movement of share options under the Share Option Scheme during the year are as follows:

Name or category of participants	Date of grant of share options <sup>(1)</sup>	Number of shares of options held at		Expired/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options <sup>(2)</sup>	Price of share of the Company		
		1 January 2006	Granted during 2006					At the grant date of share options <sup>(3)</sup>	At the exercise date of share options <sup>(4)</sup>	
								HK\$	HK\$	HK\$
<b>Directors/ Alternate Directors</b>										
Dennis Pok Man Lui	8.8.2005	13,500,000	-	-	-	13,500,000	8.8.2006 to 7.8.2015	8.70	8.60	N/A
Tim Lincoln Pennington	8.8.2005	5,000,000	-	-	-	5,000,000	8.8.2006 to 7.8.2015	8.70	8.60	N/A
Chan Ting Yu	8.8.2005	5,000,000	-	-	-	5,000,000	8.8.2006 to 7.8.2015	8.70	8.60	N/A
Woo Chiu Man, Cliff	8.8.2005	3,500,000	-	-	-	3,500,000	8.8.2006 to 7.8.2015	8.70	8.60	N/A
Nardi, Kar Wai Agnes (resigned on 31.8.2006)	8.8.2005	4,000,000	-	(1,333,333)	(2,666,667)	-	8.8.2006 to 7.8.2015	8.70	8.60	13.82
		31,000,000	-	(1,333,333)	(2,666,667)	27,000,000				
<b>Other Employees in aggregate</b>	8.8.2005	45,300,000	-	(12,093,000)	(9,750,000)	23,457,000	8.8.2006 to 7.8.2015	8.70	8.60	16.82
<b>Total</b>		76,300,000	-	(13,426,333)	(12,416,667)	50,457,000				

*Notes:*

- (1) The share options will be vested according to a schedule, namely, as to as close 1/3 of the shares of the Company which are subject to the share options as possible by each of the three anniversaries of the date of offer of the share options and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as delineated in the Share Option Scheme) on such vesting date.
- (2) The exercise price of the share options is subject to adjustment, in accordance with the provisions of the Share Option Scheme, in the event of an alteration in the capital structure of the Company.
- (3) The price of the shares disclosed as at the date of grant of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.
- (4) The price of the ordinary shares of the Company as at the date of exercise of share options was the weighted average closing price of the shares immediately before the dates on which the options were exercised.



The options are exercisable for a period of nine years commencing on the first anniversary after the date on which the option was offered, provided that no options may be exercised after 7 August 2015.

As at the date of this report, the Company had 50,340,333 share options outstanding under the Share Option Scheme, which represented approximately 1.06% of the shares of the Company in issue as at that date.

### (II) Share Option Scheme of Subsidiary Companies

HGCH, the Company's subsidiary and HGCH's subsidiaries, operates certain option schemes, details of which are as follows:

#### (A) 2002 Option Scheme of HGCH

The 2002 Option Scheme of HGCH ("2002 Option Scheme") was adopted on 2 April 2002. As a result of the privatisation of HGCH by way of a scheme of arrangement in July 2005, all outstanding share options granted under the 2002 Option Scheme lapsed on 16 July 2005. No further options under the 2002 Option Scheme have been granted and there were no outstanding options during the year ended 31 December 2006. The operation of the 2002 Option Scheme was terminated by resolutions in general meeting of HGCH on 31 December 2006.

#### (B) Share Option Schemes of Subsidiary Companies of HGCH

HGCH on 21 May 2001 approved the adoption by certain subsidiary companies (the "Subsidiaries") of their respective share option schemes (collectively the "Subsidiaries' Schemes"). On 31 July 2006, the Subsidiaries have ceased to be subsidiary companies of HGCH as a consequence of the sale of Vanda IT Solutions & Systems Management Limited by HGCH to Hutchison E-Commerce International Limited, an indirect wholly owned subsidiary of HWL.

No options have been granted under the Subsidiaries Schemes during the period when the Subsidiaries were subsidiary companies of HGCH. During the period ended 31 July 2006, there were no outstanding options under the Subsidiaries' Schemes.

### (III) Employee Stock Option Plans of Partner Communications Company Ltd.

#### *2004 Share Option Plan*

The 2004 Share Option Plan (as amended on 1 March 2006) (the "2004 Plan") was approved by the board of directors of Partner Communications Company Ltd. ("Partner") in July 2004 and further approved for adoption by shareholders of the Company at the annual general meeting held on 16 May 2006. The 2004 Plan will remain in force for 10 years from its adoption in July 2004.

The purpose of the 2004 Plan is to promote the interests of Partner and its shareholders by providing employees, officers and advisors of Partner with appropriate incentives and rewards to encourage them to enter into and continue in the employment of or service to Partner and to acquire a proprietary interest in the long-term success of Partner.

A total number of 5,775,000 ordinary shares of Partner (the "Partner Shares"), representing 3.70% of the total issued share capital of Partner as at the date of this report may be issued under the 2004 Plan. The maximum number of options which may be issued and allotted to each participant under the 2004 Plan shall not exceed 1,834,615 Partner Shares, representing approximately 1.17% of the total number of shares in issue at the date of this report.

An option shall become cumulatively vested as to one-fourth (25%) of the shares covered thereby on each of the first, second, third and fourth anniversaries of the date of the relevant grant, unless otherwise set by the compensation committee of Partner (the "Partner Compensation Committee") being appointed by Partner's board of directors to administer the 2004 Plan, in the relevant grant instrument. The exercise period during which an option may be exercised will be determined by the Partner Compensation Committee and will not exceed ten years from the date of grant of options. No payment is required to be made by the grantee on application or acceptance of an option.

The Partner Compensation Committee has the authority to determine the exercise price per share (the "Option Exercise Price"). The Option Exercise Price will be determined taking into consideration the fair market value of a Partner Share at the time of grant. Such fair market value on any date will be equal to the average of the closing sale price of the Partner Shares during the preceding thirty trading days, as such closing sale price is published by the national securities exchange in Israel on which the Partner Shares are traded, or if there is no sale of Partner Shares on such date, the average of the bid and asked prices on such exchange at the closing of trading on such date, or if Partner Shares are not listed on a securities exchange in Israel or the over the counter market, the fair market value on such date as determined in good faith by the Partner Compensation Committee.

#### *1998 Employee Stock Option Plan, 2000 Employee Stock Option Plan and 2003 Amended Plan*

The 1998 Employee Stock Option Plan (the "1998 Plan") and 2000 Employee Stock Option Plan (the "2000 Plan") were adopted by Partner in 1998 and 2000 respectively. Until November 2003, Partner granted options to senior managers and other employees pursuant to the 1998 Plan and the 2000 Plan. In November 2003, the 1998 Plan and the 2000 Plan were amended to conform with the changes in the Israeli Income Tax Ordinance (New Version), 1961. As a result, any grant of options after November 2003 would be subject to the terms of the 2000 Plan as so amended, referred to as the 2003 Amended Plan. Options granted under the 1998 Plan, 2000 Plan and 2003 Amended Plan, which were approved by Partners prior to Partner becoming a subsidiary of the Company in April 2005, will remain valid but no further grant of options will be made under the said three plans without the board of directors of Partner approving relevant amendments being made necessary by the changes in Israeli laws and other regulatory requirements, as applicable and until they are approved by shareholders of the Company.

Details of the movement of share options under the four employee stock option plans of Partner during the year are as follows:

Name or category of participants	Date of grant of share options <sup>(1)</sup>	Number of shares of options held at 1 January 2006	Granted during 2006	Exercised during 2006	Expired/ cancelled during 2006	Number of share options held at 31 December 2006 <sup>(1)</sup>	Exercise period of share options <sup>(2)</sup>	Exercise price of share options US\$/NIS	Price of share of Partner	
									At the grant date of share options <sup>(3)</sup>	At the exercise date of share options <sup>(4)</sup>
<b>Employees in aggregate</b>										
1998 Plan	5.11.1998 to 22.12.2002	432,474	-	(410,580)	(1)	21,893	5.11.1999 to 15.12.2011	US\$0.343 and NIS 20.45	0.01	39.74
2000 Plan	3.11.2000 to 30.12.2003	1,583,581	-	(995,975)	12,500 <sup>(5)</sup>	600,106	3.11.2000 to 30.12.2012	NIS 17.25 to NIS 27.35	17.25 to 27.35	41.91
2003 Amended Plan	30.12.2003	195,000	-	(132,500)	-	62,500	30.12.2003 to 30.12.2012	NIS 20.45	34.12	38.72
2004 Plan	29.11.2004 to 12.9.2006	4,855,750	596,000	(448,875)	(614,500)	4,388,375	29.11.2004 to 12.9.2016	NIS 26.74 to NIS 34.63	31.45 to 40.74	41.98
<b>Total</b>		<b>7,066,805</b>	<b>596,000</b>	<b>(1,987,930)</b>	<b>(602,001)</b>	<b>5,072,874</b>				

**Notes:**

- (1) The number of share options disclosed is the aggregate figure of share options held at 31 December 2006 under each of the four employee stock option plans. The share options were granted on various date(s) during the corresponding period(s) and in respect of the 2003 Amended Plan, on the date of grant as disclosed.
- (2) Subject to the terms of individual stock option plans, vesting schedules are in general: 25% of the options become vested on each of the first, second, third and fourth anniversary of the date of employment of the grantee or date of grant, under otherwise specified by the Employee Stock Option Committee.
- (3) The price of ordinary share of Partner disclosed as at the date of grant of share option was the average closing price as recorded by the Tel Aviv Stock Exchange 30 days prior to the date of grant.
- (4) The price of the ordinary shares of Partner disclosed as at the date of exercise of share options was the weighted average closing price of the shares immediately before the dates on which the options were exercised.
- (5) Among others, the 12,500 share options represent the difference between 15,000 share options and 2,500 share options as disclosed in a. and b. below:
  - a. Exercise period of 15,000 share options, which originally expired on 31 October 2005 and were disclosed as expired share options in the annual report issued by the Company for the year ended 31 December 2005, was approved for extension to 31 March 2006 by Partner at the meeting of its Compensation Committee held on 6 February 2006. These 15,000 share options were subsequently exercised by 31 March 2006.
  - b. 2,500 share options were expired during the year ended 31 December 2006.

The fair value of options granted, determined using the Black-Scholes valuation model, was NIS 10.82 per Partner Share. The significant inputs into the model were share price of NIS 38.73 at the date of grant, exercise price of NIS 33.18 per Partner Share, standard deviation of expected share price returns of 39%, expected life of options of five years, expected dividend paid out rate of 6.14% and annual risk-free interest rate of 5.5%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over five year immediately preceding the grant date. Changes in such subjective input assumptions could affect the fair value estimate.

As at the date of this report, Partner had 3,313,375 share options outstanding under the 2004 Plan, 3,386 share options outstanding under the 1998 Plan, 99,750 share options outstanding under the 2003 Amended Plan and 230,500 share options outstanding under the 2000 Plan, which aggregately represented approximately 2.34% of the shares of Partner in issue as at that date.

#### (IV) HutchEssar Employees Stock Option Plan 2005 of Hutchison Essar Limited

The HutchEssar Employees Stock Option Plan 2005 ("HutchEssar Option Plan") of Hutchison Essar was approved for adoption by the shareholders of Hutchison Essar on 21 December 2005 and subsequently by the shareholders of the Company at the annual general meeting held on 15 May 2006. The HutchEssar Option Plan will remain in force for a period of 10 years from its effective date of 1 July 2005.

The purpose of the HutchEssar Option Plan is to enable Hutchison Essar to grant options to eligible participants, who are Employees invited to take up options as per the recommendations of the compensation committee duly appointed by the board of Hutchison Essar to administer the HutchEssar Option Plan ("Compensation Committee"), as reward for their past services for significant growth of Hutchison Essar and its subsidiaries, to incentivise and retain employees in an increasingly competitive environment, to align key employees' interests with shareholders' interests and to attract new employees. Employees are defined to mean a permanent employee who is on the payroll of Hutchison Essar or any other member of the Group (as defined in the HutchEssar Option Plan), whether located in or outside India and who is subject to the control and direction of Hutchison Essar or any other member of the Group with respect to both, the work to be performed and the manner and method of performance and includes director(s) whether whole-time directors or not.

An employee who is (a) a Promoter or belongs to the Promoter Group, or (b) a Hutchison Essar director, who either by himself or through his relative(s) or through any body corporate, directly or indirectly, holds more than 10% of the total shares of Hutchison Essar in issue, shall not be eligible to participate in the HutchEssar Option Plan. Promoter is defined to mean (i) the persons or persons, who are in overall Control (as defined in the HutchisonEssar Option Plan) of Hutchison Essar; or (ii) the person or persons who are instrumental in the formation of Hutchison Essar or programme pursuant to which the Hutchison Essar shares were offered to the public; or (iii) the person or persons named in any offer document of Hutchison Essar as Promoter(s) provided that a director or officer of Hutchison Essar who is acting as such only in his professional capacity will not be deemed to be a Promoter. Where a Promoter of Hutchison Essar is a body corporate, the Promoters of that body corporate shall also be deemed to be Promoters of Hutchison Essar. Promoter Group means (i) an immediate relative of the Promoter; or (ii) persons whose shareholding is aggregated for the purpose of disclosing "shareholding of the promoter group" in the offer document of Hutchison Essar for its initial public offering.

The face value of the Hutchison Essar shares relevant to the options granted to non-resident employees shall not exceed the limit provided in the Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 issued by the Reserve Bank of India vide notification no FEMA 20/2000-RB dated 3 May 2000, as amended or restated from time to time.

The maximum number of shares that may be issued and allotted under the HutchEssar Option Plan shall be 17,000,000 Hutchison Essar shares, representing approximately 4.11% of the total issued shares of Hutchison Essar as at the date of this report. The maximum number of shares issued and which may fall to be issued upon the exercise of options to each participant under the HutchEssar Option Plan shall not exceed 3,431,005 Hutchison Essar shares, representing approximately 0.83% of the total issued shares as at the date of this report.

No option granted under the HutchEssar Option Plan will vest unless and until Hutchison Essar has completed an initial public offering and listing of its shares on a recognised stock exchange. The HutchEssar Option Plan provides that options granted to employees automatically vest as to 30% on either the expiry of the period of 12 months after the relevant date of offer of options (the "Offer Date"), or on the date on which Hutchison Essar shares are first traded on any recognised stock exchange (the "IPO Date") or 1 January 2007, whichever is the latest; as to 30% on either the expiry of the period of 24 months after the Offer Date, or at the expiry of the period of 12 months after the IPO Date, whichever is the later; and as to 40% on either the expiry of the period of 36 months after the Offer Date, or at the expiry of 24 months after the IPO Date, whichever is the later. The relevant Indian regulations require a minimum period of 12 months between the grant of options and the vesting of such options. The exercise period in respect of a particular option shall commence from the date of vesting until the date falling 10 years from the offer of the option subject to earlier lapse in accordance with the provision of the HutchEssar Option Plan.

The Compensation Committee has the authority to determine the exercise price in respect of any option. Subject to any rules and/or regulations of any recognised stock exchange from time to time applicable to Hutchison Essar, by reason of their applicability to its shareholders or otherwise and in the case of any options offered during the period commencing six months before Hutchison Essar files any application for initial public offering with the Securities and Exchange Board of India up to the IPO Date, the exercise price for such options shall be adjusted to the IPO Price. If any such options have been offered at an exercise price lower than the IPO Price, such exercise price shall upon the IPO Date be adjusted and increased to the IPO Price.

Details of the movement of share options under the HutchEssar Option Plan during the year are as follows:

Name or category of participants	Date of grant of share options	Number of share options held at 1 January 2006	Granted during 2006	Exercise during 2006	Expired/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options <sup>(4)</sup>	Price of share of Hutchison Essar		
								Exercise price of share options	At the grant date of share options <sup>(4)</sup>	At the exercise date of share options <sup>(4)</sup>
								INR	INR	INR
Employees in aggregate	23.12.2005	4,148,493 <sup>(1)</sup>	-	-	(342,653)	3,805,840	N/A	247.99	N/A	N/A
	23.12.2005	340,758 <sup>(1)</sup>	-	-	(91,740)	249,018	N/A	480.91	N/A	N/A
	26.6.2006	-	681,829 <sup>(2)</sup>	-	(98,970)	582,859	N/A	247.99	N/A	N/A
	26.6.2006	-	176,157 <sup>(2)</sup>	-	(51,315)	124,842	N/A	480.91	N/A	N/A
	26.6.2006	-	1,146,830 <sup>(2)</sup>	-	(287,664)	859,166	N/A	641.89	N/A	N/A
	15.11.2006	-	13,948 <sup>(3)</sup>	-	-	13,948	N/A	247.99	N/A	N/A
	15.11.2006	-	26,104 <sup>(3)</sup>	-	-	26,104	N/A	641.89	N/A	N/A
<b>Total</b>		<b>4,489,251</b>	<b>2,044,868</b>	<b>-</b>	<b>(872,342)</b>	<b>5,661,777</b>				

**Notes:**

- (1) On 23 December 2005, options were offered to the relevant employees effective from 1 July 2005 under the HutchEssar Option Plan.
- (2) On 26 June 2006, options were offered to the relevant employees effective from 28 April 2006 under the HutchEssar Option Plan.
- (3) On 15 November 2006, options were offered to the relevant employees effective from 15 November 2006 under the HutchEssar Option Plan.
- (4) No option granted under the HutchEssar Option Plan will vest unless and until Hutchison Essar has completed an initial public offering and listing of its shares on a recognised stock exchange.
- (5) Hutchison Essar shares were not listed in any recognised stock exchange at any time during the year ended 31 December 2006.

Although there were options granted under the HutchEssar Option Plan during the year ended 31 December 2006, it is considered not appropriate to value such options as the Hutchison Essar shares are not listed in any stock exchange. In the absence of readily available market value of options under the HutchEssar Option Plan, any valuation of such options would be meaningless and could be misleading to the shareholders. In addition, no compensation cost was recognised with respect to these options during the year ended 31 December 2006 since there is no certainty that these options will vest in the foreseeable future.

As at the date of this report, Hutchison Essar had 5,260,931 options outstanding under the HutchEssar Option Plan, representing approximately 1.27% of Hutchison Essar issued shares as at that date.

Save as disclosed above, at no time during the year was the Company or a subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

## Major Customers and Suppliers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group turnover.

## Public Float

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the Directors, over 29% of the issued share capital of the Company was held by the public.

## Auditor

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

By Order of the Board

**Edith SHIH**

Company Secretary

Hong Kong, 20 March 2007