

The Company is committed to achieving and maintaining the highest standards of corporate governance. The Board considers effective corporate governance essential to protecting shareholders' interests and enhancing stakeholder value. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

The Company is fully compliant with all code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2006.

Board of Directors

The Board is charged with the responsibility of the leadership and control of the Company. Directors are required to promote the success of the Company and make decisions objectively in the best interests of the Company. The Board's role is clearly defined as directing and supervising the affairs of the Company, establishing its strategic direction and setting objectives and business development plans.

The roles of the Chairman and the Chief Executive Officer are clearly segregated. The Chairman (non-executive) of the Company is Mr Canning Fok. His role is to manage and provide leadership to the Board. The Chairman ensures that the Company establishes sound corporate governance practices and procedures and encourages Directors to make full and active contribution to the affairs of the Board and contribute to the Board's functions. The Chairman is also responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and Company Secretary for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner.

The Chief Executive Officer of the Company, Mr Dennis Pok Man Lui, is directly responsible for the day-to-day management of the business of the Company and maintaining the operational performance of the Company. With the assistance of the Chief Financial Officer, he ensures that the funding requirements of the business are met and closely monitors the operating and financial results against plans and budgets, taking remedial action when necessary and advising the Board of any significant developments and issues. The Chief Executive Officer also reviews and presents for consideration and approval by the Board the annual business plans and budgets of the operations.

As at 31 December 2006, the Board comprised nine Directors: the Chairman, the Chief Executive Officer, the Chief Financial Officer, three other Non-executive Directors and three Independent Non-executive Directors. Each of the Non-executive Directors (except any Non-executive Director appointed to fill a casual vacancy who, subject to re-election at the ensuing general meeting, shall have an initial term of up to the end of the calendar year in which he/she is appointed), is appointed for a term of 12 months, subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. All Directors are subject to retirement from office by rotation and re-election by shareholders at the annual general meeting at least about once every three years.

The Board holds at least four regular meetings a year which are scheduled at the beginning of the year and additional meetings will be held as and when required. Between scheduled meetings, the senior management of the Company provides information on a regular basis to Directors on the activities and development in the businesses of the Group. In addition, the Non-executive Directors (including the Independent Non-executive Directors) meet with the Chairman at least once a year without the presence of the Executive Directors.

With respect to the regular meetings of the Board, Directors receive written notice of the meeting at least 14 days in advance and an agenda and supporting papers no less than 3 days prior to the meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held five meetings in 2006 with 100% attendance.

	Name of Director	Attended/Eligible to attend
Chairman	Fok Kin-ning, Canning	5/5
Chief Executive Officer and Executive Director	Dennis Pok Man Lui	5/5
Chief Financial Officer and Executive Director	Tim Lincoln Pennington	5/5
Non-executive Directors	Frank John Sixt	5/5
	Naguib Sawiris*	5/5
	Aldo Mareuse	5/5
Independent Non-executive Directors	Kwan Kai Cheong	5/5
	John W Stanton	5/5
	Kevin Westley	5/5

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

In addition, the Chairman held two meetings with Non-executive Directors (including the Independent Non-executive Directors) in 2006 with full attendance as well.

Directors' Responsibility for the Financial Statements

The following statement, which sets out the responsibility of Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 81 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Accounts

The Directors acknowledge their responsibility for the preparation of the Annual Report and financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with Cayman Islands Companies Law and the applicable accounting standards.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent, in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") which is supplemented by the Securities Trading Policy as the Company's code of conduct regarding Directors' securities transactions. The Securities Trading Policy also applies to all personnel of the Company and its subsidiaries and all transactions in the Company's securities.

All Directors confirmed that they have complied with both the Model Code and the Securities Trading Policy in their securities transactions throughout 2006.

Nomination

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate for the Company's business. On 28 February 2007, Mr Michael John O'Connor was appointed to the Board following the resignation of Mr Naguib Sawiris. The extensive experience of Mr O'Connor in strategy formulation and financial modeling in the telecommunications sector adds value to the Board.

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

Remuneration Committee

The Company has established a Remuneration Committee comprising three members with expertise in human resources and personnel emoluments. The Committee is chaired by the Chairman, Mr Canning Fok with Messrs Kwan Kai Cheong and Kevin Westley, both Independent Non-executive Directors, as members.

The Remuneration Committee is charged with the responsibility of assisting the Board in achieving its objective of attracting, retaining and motivating people of the highest calibre and experience needed to develop and implement the Group's strategy taking into consideration its substantial international operations. It is also responsible for the development and administration of a fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Company and for determining their remuneration packages. The terms of reference of the Remuneration Committee are available on the Company's website.

The Executive Directors, assisted by the Human Resources Department, are responsible for reviewing all relevant remuneration data and market conditions, in addition to considering the performance of individuals and the profitability of the Group, in order to propose to the Remuneration Committee for consideration and approval, remuneration packages for Directors and senior management. Executive Directors, however, do not participate in the determination of their own remuneration.

In December 2006, all members of the Remuneration Committee held a meeting to review background information on market data (including economic indicators and recommendation from Employers' Federation of Hong Kong), the Group's business activities and human resources issues, and headcount and staff costs. The Committee subsequently reviewed and approved the proposed 2006 directors' fees, year end bonus and 2007 remuneration package of Executive Directors and senior management and made recommendation to the Board on the directors' fees for Non-Executive Directors.

The Directors' fees for 2006 amounted to HK\$3.57 million. The emoluments of the Directors of the Company paid in connection with the management of the affairs of the Group, excluding amounts received from the Company's listed subsidiary and paid to the Company, are as follows:

Name of Director	Director's Fees HK\$ millions	Basic Salaries, Allowances and Benefits- in-kind HK\$ millions	Bonus HK\$ millions	Provident Fund Contributions HK\$ millions	Share-based Payments ⁽²⁾ HK\$ millions	Inducement or Compensation on Fees HK\$ millions	Total Emoluments HK\$ millions
Fok Kin-ning, Canning	0.37	-	-	-	-	-	0.37
Dennis Pok Man Lui ⁽¹⁾	0.27	3.59	11.00	0.28	14.12	-	29.26
Tim Lincoln Pennington	0.27	3.48	2.73	0.61	5.23	-	12.32
Frank John Sixt	0.27	-	-	-	-	-	0.27
Naguib Sawiris ⁽²⁾	0.27	-	-	-	-	-	0.27
Aldo Mareuse	0.27	-	-	-	-	-	0.27
	1.72	7.07	13.73	0.89	19.35	-	42.76
Kwan Kai Cheong	0.65	-	-	-	-	-	0.65
John W Stanton	0.55	-	-	-	-	-	0.55
Kevin Westley	0.65	-	-	-	-	-	0.65
	1.85	-	-	-	-	-	1.85

Notes:

- (1) Director's fee received by this Director from the Company's listed subsidiary company has been paid to the Company and is not included in the amount above.
- (2) Share option benefits represent the fair value of share options granted under the Company's share option scheme, which is calculated in accordance with the methodology disclosed in note 27(b) to the financial statements. This methodology does not take into account of the actual share price at the date of exercise and whether the share options have been exercised. The significant inputs to the valuation model are disclosed in note 27(b) to the financial statements and details of the share options granted are set out on pages 63 to 66 of this Annual Report.
- (3) Mr Naguib Sawiris resigned as Director of the Company on 28 February 2007.

Management of the Company

The senior management of the Company, under the leadership of the Chief Executive Officer of the Company, is responsible for the implementation of the strategies, objectives and plans determined by the Board.

Company Secretary

The Company Secretary, Ms Edith Shih, is responsible for compliance by the Company with all obligations applicable to the Company whose ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and whose American Depositary Shares are quoted on New York Stock Exchange, Inc. (the "NYSE").

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group.

The Company Secretary also ensures that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through the adherence to proper Board processes and the timely preparation and dissemination to Directors and Board committees of comprehensive Board agendas and papers. Minutes of all Board meetings and Board Committee meetings are kept by the Company Secretary to record in sufficient detail the matters considered by the Board or Committee and decisions reached, including any concerns raised or dissenting views voiced by any Director.

Audit Committee

The Audit Committee comprises the three Independent Non-executive Directors, and is chaired by Mr Kevin Westley. All committee members possess appropriate business and financial management experience and skills to understand financial statements and internal controls. However, the Audit Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The Audit Committee held six meetings in 2006 with full attendance.

Name of Member	Attended/Eligible to attend
Kevin Westley (<i>Chairman</i>)	6/6
Kwan Kai Cheong	6/6
John W Stanton	6/6

While the Board is responsible for having the financial statements of the Company prepared, the Audit Committee is responsible for monitoring the integrity of financial statements of the Company. In addition to the review of financial information of the Company, the Audit Committee also, amongst other things, oversees the relationship between the Company and its external auditors and reviews the Company's financial reporting system, internal control and risk management procedures. The terms of reference of the Audit Committee are published on the Company's website.

In 2006, the Audit Committee considered reports from the Chief Financial Officer and external auditors in respect of a number of matters including the Company's reporting, budgeting and forecasting procedures, audit strategy, quarterly key performance indicators and scope and progress of the US Sarbanes-Oxley Act of 2002 compliance project. The Audit Committee reviewed with senior management and the auditors of the Company their respective audit findings on the Company's financial statements as of and for the year ended 31 December 2006 and internal control over financial reporting as of 31 December 2006, the accounting principles and practices adopted by the Group and risk management and financial reporting matters. This review by the Committee included an appraisal of the integrity of financial statements and internal control over financial reporting of the Company and the annual report and accounts of the Company.

Further, the Audit Committee reviewed the work plan and results of the internal audit team's assessment and monitoring of the Group's internal control systems. In addition, it also received the report on the Group's compliance with internal and external regulatory requirements.

Auditors' Remuneration

The amount of fees charged by the Company's auditors in respect of their audit services is disclosed in Note 9 to the accounts of the Company. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendation to the Board regarding any non-audit services to be provided to the Company by the external auditors.

For the year ended 31 December 2006, the fees paid to the Company's auditors were primarily for audit and audit related services as there were no material non-audit related service assignments undertaken by them.

Internal Control and Group Risk Management

Introduction

The Board has overall responsibility for establishing and maintaining the Group's internal control systems and has ensured that the Group has in place appropriate internal control and approval procedures. Together with the internal audit team, external auditors and senior management of the Group, the Audit Committee reviews and monitors such internal control and approval procedures with a view to ensuring their effectiveness. The Company also maintains a system of disclosure controls and procedures to ensure that information required to be disclosed by the Company is recorded, processed, summarised and reported within the required time periods and accumulated and communicated to the Company's management to allow timely decisions regarding disclosure.

The various controls and procedures in place are described below.

Internal Control Environment

The Board has overall responsibility for monitoring the Group's operations. Executive Directors are appointed to the boards of all material operating subsidiaries and associates. Executive management works closely with the senior management of the Group's operations, monitoring their performance to ensure that strategic objectives and business performance targets are being met.

As part of the Group's five year corporate planning cycle, senior management of each of the operations within the Group prepares a business plan and budget annually which is subject to review and approval by the Executive Directors. When setting budgets and forecasts, senior management identifies, evaluates and reports on the likelihood and potential financial impact of any significant business risks. Budgets are prepared on an annual basis and forecasts are prepared on a quarterly basis and reviewed for differences to the budget.

Financial management accounts are submitted to executive management by each operation on a monthly basis and a finance and operations review conducted with each of the operations. Such review includes business performance against budgets, forecasts, significant business risk sensitivities and strategies and any material accounting and finance related matters.

The Chief Financial Officer has established guidelines and procedures for the approval and control of expenditures. Both operating and capital expenditures are subject to overall budget control. Operating expenditure is further controlled by approval levels for such expenditures being set by reference to the level of responsibility of the relevant executives and officers. Capital expenditures are also subject to specific approval prior to commitment for material expenditures within the approved budget, and also unbudgeted expenditures. Reports on actual versus budgeted and approved expenditures are reviewed on a quarterly basis.

The Group's internal audit function provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan. The plan is reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and to report its findings to the Audit Committee, the Chief Executive Officer, the Chief Financial Officer and relevant senior management. The internal audit team also follows up on all findings to ensure that identified issues are satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scopes of work.

Review of Internal Controls

The Directors confirm that they have reviewed the effectiveness of the system of internal control of the Company and its subsidiaries as of 31 December 2006 and that they consider that such system is reasonably effective and adequate. The review covered all material controls including financial, operational and compliance controls and the risk management function.

The various procedures described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives and to properly record and report financial information. However, such procedures do not meet the requirements of, nor are they in compliance with, the requirements of the US Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") as set out below.

US Sarbanes-Oxley Act of 2002

As the Company is listed on the NYSE and has securities registered under the US Securities Exchange Act of 1934 (the "Exchange Act"), it is subject to the provisions of the Sarbanes-Oxley Act.

Evaluation of Disclosure Controls and Procedures

Under the Sarbanes-Oxley Act, management of the Company, including the Chief Executive Officer and Chief Financial Officer, are carrying out an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures as of 31 December 2006. "Disclosure controls and procedures" are defined under the Exchange Act as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarised and reported within required time periods. These controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to a company's management, including its principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Upon completion of their evaluation, the Chief Executive Officer and Chief Financial Officer will be required to conclude in the annual report on Form 20-F for the year ended 31 December 2006 (the "Form 20-F") to be filed with the US Securities and Exchange Commission no later than 2 July 2007 whether, as of 31 December 2006, the Group's disclosure controls and procedures were effective in providing reasonable assurance that the objectives of the disclosure controls and procedures are met.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Report on Internal Control over Financial Reporting

Under the Exchange Act, management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, and for performing an assessment of the effectiveness of internal control over financial reporting as of 31 December 2006. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP").

The Group's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Group are being made only in accordance with authorisations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting might not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls might become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures might deteriorate.

Management of the Company is performing an assessment of the effectiveness of the Group's internal control over financial reporting as of 31 December 2006 based upon criteria in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its assessment using those criteria, upon the completion of the assessment of internal controls over the preparation of the Form 20-F management will be required to conclude whether, as of 31 December 2006, the Group's internal control over financial reporting was effective. As of the date of this annual report, management is not aware of any instances of material weaknesses.

Management is excluding Hutchison Essar Cellular Limited (formerly BPL Mobile Cellular Limited) ("HECL") and Essar Spacetel Private Limited ("Spacetel"), which are both indirect subsidiaries of the Company, from its assessment of internal control over financial reporting as of 31 December 2006 because they were acquired in transactions completed during 2006. The aggregate total assets and total revenues of HECL and Spacetel represented approximately 3.4%, and 3.9%, respectively, of the related consolidated financial statements amounts as of and for the year ended 31 December 2006.

Changes in Internal Control over Financial Reporting

During the period covered by this annual report, no change has occurred in the Group's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

Summary of Differences from the NYSE Corporate Governance Practices for US Domestic Issuers

As the Company is listed on the NYSE, it is required to provide a summary of the significant ways in which its corporate governance practices, as a non-US issuer, differ from those followed by US companies under the listing standards of NYSE. This summary is set forth in the Corporate Governance section of the Company's website at www.htil.com.

Shareholders' Rights and Investor Relations

The Company is committed to fostering and maintaining good investor relations and communications through the participation of senior management in regular meetings with, and presentations to, institutional shareholders and analysts, investor conference calls and roadshows. Presentations and media briefings are also made when the financial results are announced.

The Board provides full, transparent and timely information to shareholders and investors regarding important events and developments of the business in its announcements and media releases and briefings and through the publication of quarterly key performance indicators, interim and annual reports providing detailed information on the financial performance of the Group. Shareholders and investors can also subscribe to receive information through email alerts and to post specific questions to our investor relations contacts via the Company's website.

Shareholders are encouraged to attend all general meetings of the Company. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Company's Hong Kong Branch Share Registrars. The results of the poll are published on the Company's website and local newspapers. Financial and other information on the Company is made available on the Company's website, which is regularly updated.

During the period covered by this annual report, the 2006 Annual General Meeting and an Extraordinary General Meeting of the Company were held on 16 May 2006 and 9 March 2007 respectively at Harbour Plaza Hong Kong, Hung Hom, Kowloon, Hong Kong. The resolutions proposed at those meetings and the percentage of votes cast in favour of such resolutions are set out below:-

Annual General Meeting

1. Consideration and approval of the audited financial statements and reports of Directors and Auditors for the year ended 31 December 2005 (99.69%);
2. Re-election of Mr Fok Kin-ning, Canning, Mr Tim Lincoln Pennington, Mr Naguib Sawiris and Mr Aldo Mareuse as Directors of the Company (99.92% to 99.96% in respect of each individual resolution), and authorisation of the Board of Directors to fix the Directors' remuneration (99.27%);
3. Re-appointment of Auditors and authorisation of the Board of Directors to fix the Auditors' remuneration (99.99%);
4. Granting of general mandates to Directors to issue additional shares in the Company (91.53%) and to re-purchase by the Company of its own shares (99.99%), and extension of the general mandate to issue additional shares (99.37%);
5. Approval of share option scheme of Hutchison Essar Limited (99.94%); and
6. Approval of share option plan of Partner Communications Company Ltd. (99.89%).

Extraordinary General Meeting

Approval, ratification and confirmation of the agreement dated 11 February 2007 entered into between the Company and Vodafone International Holdings B.V. and authorisation of the Directors to execute documents and/or do all such acts on behalf of the Company in connection with such agreement (99.37%).

All resolutions put to shareholders at those meetings were passed. The results of the voting by poll were published on the Company's website, the website of The Stock Exchange of Hong Kong Limited and also in local newspapers.

Other Corporate Information

Memorandum and Articles of Association

There were no changes to the Company's memorandum and articles of association during the year ended 31 December 2006.

Key Corporate Dates

The following are dates for certain key corporate events:

Event	Date
Announcement of audited results for the year ended 31 December 2006	20 March 2007
Closure of Register of Members	4 May to 8 May 2007
2007 Annual General Meeting	8 May 2007
Announcement of interim results for the six months ended 30 June 2007	August 2007

Public Float Capitalisation

The public float capitalisation of the Company as at 31 December 2006 was approximately HK\$27.3 billion and as at the date of this report is approximately HK\$22.7 billion.

By Order of the Board

Edith SHIH

Company Secretary

Hong Kong, 20 March 2007