

# Report of the Directors

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

## Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and jointly controlled entities are shown on pages 186 to 191.

## Group Profit

The consolidated profit and loss account is set out on page 115 and shows the Group profit for the year ended 31 December 2006.

## Dividends

An interim dividend of HK\$0.51 per share was paid to shareholders on 6 October 2006 and the Directors recommend the declaration of a final dividend at the rate of HK\$1.22 per share payable on 18 May 2007 to all persons registered as holders of shares on 17 May 2007. The Register of Members will be closed from 10 May 2007 to 17 May 2007, both days inclusive.

## Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 46 to the accounts on pages 184 and 185, and note 34 to the accounts on page 174 respectively.

## Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$82,000,000 (2005 - approximately HK\$70,000,000).

## Fixed Assets

Particulars of the movements of fixed assets are set out in note 13 to the accounts.

## Share Capital

Details of the share capital of the Company are set out in note 33 to the accounts.

## Directors

The board of Directors of the Company (the "Board") as at 31 December 2006 comprised Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor, Mr Fok Kin-ning, Canning, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt, Mr Lai Kai Ming, Dominic, Mr Kam Hing Lam, The Hon Sir Michael David Kadoorie, Mr Holger Kluge, Mr George Colin Magnus, Mr William Elkin Mocatta (Alternate Director to The Hon Sir Michael David Kadoorie), Mr Simon Murray, Mr Or Ching Fai, Raymond, Mr William Shurniak and Mr Wong Chung Hin (also Alternate Director to Mr Simon Murray).

Mr Li Ka-shing, Mr Frank John Sixt, The Hon Sir Michael David Kadoorie and Mr George Colin Magnus will retire by rotation at the forthcoming annual general meeting under the provisions of Article 85 of the Articles of Association of the Company and, being eligible, will 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 71 to 74.

### Interest in Contracts

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary 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

On 6 February 2006, Golden Castle Management Limited ("GCML"), a company indirectly owned equally as to 50% by each of the Company and Cheung Kong (Holdings) Limited ("Cheung Kong"), entered into a contract (the "First Amended and Restated JV Contract") with 廣州方興房地產建設有限公司 ("GZ Fang Xing"), as a result of further discussions regarding the expansion and enhancement of the scale and quality of development of the GZ Lands (as defined below). The First Amended and Restated JV Contract was entered into for the purposes of amending and restating the provisions of the joint venture contract dated 21 December 2005 (the "Yu Hu JV Contract") entered into between GCML and GZ Fang Xing in respect of the establishment of a sino-foreign co-operative joint venture named as 廣州御湖房地產發展有限公司 ("GZ Project Co") to own and develop four pieces of land (collectively the "GZ Lands") comprising of a total of approximately 225,548 square metres and located at Zhongxin Town (Zhenlong), the People's Republic of China (the "PRC") into residential properties. The initial registered capital and total investment of GZ Project Co were both RMB806,000,000. Under the Yu Hu JV Contract, GCML would make a cash contribution of RMB241,200,000 to the registered capital of GZ Project Co, and GZ Fang Xing would contribute the balance in the sum of RMB564,800,000 by way of transfer of the land use rights in the GZ Lands to GZ Project Co. The First Amended and Restated JV Contract was entered into for the purpose of increasing both the registered capital and the total investment of GZ Project Co to RMB1,040,640,000 and RMB1,544,320,000 respectively and providing for the payment of special distributions in and up to the pre-agreed amounts to GZ Fang Xing and GCML in alternative rounds with GZ Fang Xing being entitled to the first one and thereafter, sharing of available profits and assets of the GZ Project Co between GCML and GZ Fang Xing on an 80:20 basis (subject to adjustment in the case of non-compliance by any party of certain obligations under the First Amended and Restated JV Contract including, without limitation, its obligation to provide shareholders' loans to the GZ Project Co). Under the First Amended and Restated JV Contract, GCML would make an aggregate cash contribution of RMB475,840,000 to the registered capital of the GZ Project Co, representing approximately 45.7% of the registered capital of the GZ Project Co, and GZ Fang Xing would make an aggregate contribution of RMB564,800,000 by way of transfer of the land use rights in the GZ Lands to the GZ Project Co, representing approximately 54.3% of the registered capital of the GZ Project Co. Any shareholders' loans advanced by GCML and GZ Fang Xing to GZ Project Co would be made, as between GCML and GZ Fang Xing, on the basis of the then sharing ratio applicable to GCML and GZ Fang Xing. Any contribution to the registered capital of, and any shareholders' loans to, the GZ Project Co through GCML is expected to be made equally by the indirect subsidiaries of the Company and Cheung Kong in proportion to their respective effective equity interests in GCML. Cheung Kong is a substantial shareholder of the Company and hence is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between Cheung Kong and the Company in respect of the establishment of GCML and the GZ Project Co as contemplated under the First Amended and Restated JV Contract constituted connected transactions for the Company under the Listing Rules.

On 17 March 2006, (i) Kingdom Development S.A. ("Kingdom"), an indirect wholly owned subsidiary of the Company, (ii) Proficient Investment Limited ("Proficient Investment"), an indirect wholly owned subsidiary of 北京首都旅遊集團有限責任公司 ("BTG"), and (iii) Beijing Tourism Development Company Limited ("BTDC", a company owned as to 45.8% by Kingdom, 44.07% by Proficient Investment and 10.13% by New Civic Company Ltd. ("New Civic"), which is an indirect wholly owned subsidiary of BTG, prior to the Repurchase (as defined below)) entered into a repurchase agreement (the "Repurchase Agreement") relating to, and on the same day completed, the repurchase by BTDC of 2,750 "B" shares of BTDC held by Kingdom and 2,642 "B" shares of BTDC held by Proficient Investment (the "Repurchase") at an aggregate consideration of HK\$703,738,003 and payable as to 51% (i.e. HK\$358,906,382) and 49% (i.e. HK\$344,831,621) to Kingdom and Proficient Investment respectively, being the value attributable to all "B" shares of BTDC based on the book value of BTDC's investment in Doncaster International Limited ("Doncaster"), a wholly owned subsidiary of BTDC and the principal asset of which is its 82% equity interest in the Great Wall Hotel Joint Venture of Beijing, as at 28 February 2006. The consideration for the Repurchase payable by BTDC was satisfied by transferring BTDC's entire shareholding in Doncaster to Kingdom and Proficient Investment in proportion to their 51:49 holding of "B" shares in BTDC. Each of Kingdom and Proficient Investment

has directed BTDC to transfer their proportional entitlements to the interests in Doncaster to Cavendish Hotels (Holdings) Limited ("Cavendish"), a company then owned as to 51% by Kingdom and 49% by Proficient Investment. Upon completion of the Repurchase, BTDC became wholly owned by New Civic. On the same day, BTG as vendor and Cavendish as purchaser entered into a conditional agreement (the "BTG Agreement") for the sale and purchase of 160,000,000 non-tradable legal person shares, representing 69.14% of the issued share capital of 北京首都旅遊股份有限公司 ("BCT"), a company incorporated under the laws of the PRC and whose "A" shares are listed on the Shanghai Stock Exchange, (the "BCT Sale Shares") for an aggregate cash consideration of RMB657,600,000 (the "Acquisition"). It is contemplated that BCT will implement a share reform proposal (the "Share Reform Proposal") for converting the BCT Sale Shares into tradable A Shares subject to and in accordance with the terms of the Share Reform Proposal and PRC laws and regulations, which will result in a reduction of the BCT Sale Shares to be acquired or held by Cavendish to approximately 60% of the current issued share capital of BCT. BTDC and BTG are both connected persons of the Company by virtue of being an associate of and the holding company respectively of Proficient Investment, a substantial shareholder of Cavendish which in turn was a then non wholly owned subsidiary of the Company. Each of the Repurchase and the Acquisition constituted a connected transaction for the Company under the Listing Rules.

On 29 June 2006, Hutchison Whampoa Properties (Qingdao) Limited ("HWPQ"), a company wholly owned by Braintech Limited which in turn is indirectly owned as to 45% by each of the Company and Cheung Kong and as to 10% by an independent party, entered into an agreement (the "Bid Confirmation and Agreement") with Qingdao Northern District Government, Qingdao Land Resources and Housing Administration Bureau and 青島小港灣旅遊開發建設有限公司 ("XGW Co") for the purpose of acquiring and redevelopment of a piece of land with an area of approximately 386,207 square metres and located at Xiao Gang Wan, Qingdao, the PRC and the structures erected thereon ("Xiao Gang Wan Project"). It is intended that portions of land in Xiao Gang Wan Project with an area of approximately 311,780 square metres, representing approximately 81% of the total area of Xiao Gang Wan Project ("XGW Land") will be redeveloped by HWPQ into residential and commercial properties, and the remaining portion of the Xiao Gang Wan Project will be developed by XGW Co. Each of HWPQ and XGW Co will be responsible for the construction costs in respect of their respective portions of the Xiao Gang Wan Project. Pursuant to the Bid Confirmation and Agreement, HWPQ agreed, inter alia, to acquire XGW Land and the land use right thereof for a total consideration of RMB2,250.12 million, payable by instalments. To fund the payment of land cost, construction costs and other project costs for the redevelopment of XGW Land, the total investment and registered capital of HWPQ were proposed to be increased from US\$17.5 million and US\$7 million respectively to US\$335.8 million and US\$118 million respectively in stages. The contribution to the registered capital of, and any shareholders' loans to, HWPQ would be made by Cheung Kong and the Company (or their respective subsidiaries) in proportion to their respective effective equity interests in HWPQ. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The financial assistance provided or to be provided by way of contribution to increase the registered capital of, and any shareholders' loans, to HWPQ, being an associate of Cheung Kong, for the purpose of effecting the acquisition and redevelopment of the XGW Land constituted or would constitute connected transactions for the Company under the Listing Rules.

On 14 October 2006, Extreme Selection Investments Limited ("ESIL"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, entered into an acquisition agreement and a land use rights transfer contract (together the "Agreements") with 上海富都世界發展有限公司 for the acquisition of the land use rights in respect of the piece of land known as 上海市浦東新區陸家嘴金融貿易區X3-2地塊 situated at Lujiazui, Pudong New District, Shanghai, the PRC with the gross floor area (on or above ground level) of approximately 80,000 square meters ("Pudong Land X3-2") for a consideration of RMB832 million, which is subject to adjustment based on the gross floor area approved by the relevant government authorities. A project company, Shanghai Cheung Tai Property Development Limited ("SH Project Co"), has been established by ESIL for the purpose of acquiring the land use rights in respect of, and developing, Pudong Land X3-2. It is intended that Pudong Land X3-2 will be developed into properties in compliance with the usage as stated in its land use rights certificate and the relevant PRC laws and regulations. To fund the payment of acquisition costs of the land use rights and the construction and other project costs for the development of Pudong Land X3-2, the total investment of SH Project Co is RMB1,740 million, of which RMB870 million represents the registered capital of SH Project Co. Any contribution to the registered capital of, and any shareholders' loans to, SH Project Co have been and are expected to be made by the Company and Cheung Kong (or their respective subsidiaries) in proportion to their respective effective equity interests in ESIL. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. The joint venture arrangements between the Company and Cheung Kong comprising the establishment of ESIL and SH Project Co constituted connected transactions for the Company under the Listing Rules.

Pursuant to a land use right transfer contract and a land development and possession contract both dated 9 January 2007 and entered into between Elegant Wealth Investment Limited ("Elegant Wealth"), a non wholly owned subsidiary of the Company owned as to 51% by the Company and as to 49% by Cheung Kong, 上海長潤房地產開發有限公司 ("Changrun") and 上海江和房地產開發有限公司 ("Jianghe") with the Bureau of Real Estate and Land Management, Putuo District, Shanghai and Land Development Centre, Putuo District, Shanghai respectively, Elegant Wealth, Changrun and Jianghe agreed to acquire the land use right in respect of the piece of land with an area of approximately 177,261.8 square metres located at Zhen Ru Fu Zhong Xin (A3-A6), Putuo District, Shanghai, the PRC (the "Putuo Land") for an aggregate consideration of RMB2,200 million payable by instalments. Each of Changrun and Jianghe is held by the Company and Cheung Kong indirectly (on an equal basis) through Hutchison Whampoa Properties (Shenzhen Baoan) Limited ("SZ Baoan"), a company indirectly owned by Cheung Kong and the Company (on an equal basis) as to 99% and directly owned by an independent party ("Independent Party") as to 1%. To fund the payment of land cost, construction costs and other project costs for the acquisition and development of the Putuo Land into commercial and residential properties, the total investment (including registered capital) of the new joint venture to be established and held by Elegant Wealth, Changrun and Jianghe as to 60%, 25% and 15% respectively for the said acquisition and development ("Putuo JVCo") is proposed to be RMB3,600 million. Any funding contribution, including the registered capital of, and any shareholders' loans to, the Putuo JVCo is expected to be made by the Company, Cheung Kong and/or their respective subsidiaries through Elegant Wealth, and by SZ Baoan and the Independent Party through Changrun and Jianghe in proportion to their respective effective equity interests in the Putuo JVCo. Cheung Kong is a connected person of the Company within the meaning of Listing Rules. Each of Changrun and Jianghe is an associate of Cheung Kong and is also a connected person of the Company. The funding contributions, including the registered capital of, and any shareholders' loans to, the Putuo JVCo by the Company, Cheung Kong and/or their respective subsidiaries through Elegant Wealth, and by SZ Baoan through Changrun and Jianghe constituted connected transactions for the Company under the Listing Rules. The joint venture arrangements between Changrun, Jianghe and Elegant Wealth in the establishment of the Putuo JVCo also constituted connected transactions for the Company under the Listing Rules.

On 16 February 2007, the Company provided fundings to Choicewide Group Limited ("Choicewide"), a company indirectly owned as to 50% by each of the Company and Cheung Kong, in relation to the exercise by a joint venture company incorporated in Singapore ("Singapore JV"), in which each of Choicewide, Bayfront Development Pte Ltd and Sageland Pte Ltd held one-third of the equity interests therein, of an option for acquiring the remainder of land parcel A of certain parcels of land at Marina Boulevard/Central Boulevard, Singapore (the "Marina Bay Land") granted under a joint tender in July 2005 at a total consideration of S\$907.7 million. The option consideration has been included in the total financial commitment of Choicewide as disclosed in the joint announcement of the Company and Cheung Kong dated 15 July 2005 and the 2005 Annual Report of the Company. Cheung Kong is a connected person of the Company within the meaning of the Listing Rules. Any contribution to the consideration for the acquisition of the Marina Bay Land and any payment in proportion to their 50/50 interest in Choicewide for the development of the Marina Bay Land has been and is expected to be made equally by the Company and its subsidiaries and Cheung Kong and its subsidiaries in proportion to their respective equity interests in Choicewide and any such funding contribution provided by the Company constituted a connected transaction for the Company under the Listing Rules.

### Directors' Service Contract

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

## Directors' 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 of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were 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 the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company 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 as 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 and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Li Ka-shing	(i) Founder of discretionary trusts	(i) Other interest	2,141,698,773 <sup>(1)</sup>	18,613,202 <sup>(2)</sup>		
	(ii) Interest of controlled corporations	(ii) Corporate interest	48,577,000 <sup>(3)</sup>	-		
					2,208,888,975	51.8109%
Li Tzar Kuoi, Victor	(i) Beneficiary of trusts	(i) Other interest	2,141,698,773 <sup>(1)</sup>	18,613,202 <sup>(2)</sup>		
	(ii) Interest of controlled corporations	(ii) Corporate interest	1,086,770 <sup>(4)</sup>	-		
					2,161,398,745	50.6969%
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	4,310,875 <sup>(5)</sup>	-	4,310,875	0.1011%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	-	150,000	0.0035%
Frank John Sixt	Beneficial owner	Personal interest	50,000	-	50,000	0.0012%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	-	50,000	0.0012%
Kam Hing Lam	Beneficial owner	Personal interest	60,000	-	60,000	0.0014%
Michael David Kadoorie	Founder, a beneficiary and/or a discretionary object of discretionary trust(s)	Other interest	15,984,095 <sup>(6)</sup>	-	15,984,095	0.3749%
Holger Kluge	Beneficial owner	Personal interest	40,000	-	40,000	0.0009%
George Colin Magnus	(i) Founder and beneficiary of a discretionary trust	(i) Other interest	950,100 <sup>(7)</sup>	-		
	(ii) Beneficial owner	(ii) Personal interest	40,000	-		
	(iii) Interest of spouse	(iii) Family interest	9,900	-		
					1,000,000	0.0235%
Simon Murray	Beneficial owner	Personal interest	142,000	-	142,000	0.0033%
William Shurniak	Beneficial owner	Personal interest	165,000	-	165,000	0.0039%

## Short positions in the underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of underlying shares held	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	Other interest	18,613,202 <sup>(2)</sup>	0.4366%
Li Tzar Kuoi, Victor	Beneficiary of trusts	Other interest	18,613,202 <sup>(2)</sup>	0.4366%

### Notes:

(1) The two references to 2,141,698,773 shares of the Company relate to the same block of shares comprising:

- (a) 2,130,202,773 shares held by certain subsidiaries of Cheung Kong. Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 and its related companies in 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 ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of Cheung Kong by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of Cheung Kong independently without any reference to Unity Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies and the said shares of the Company held by the subsidiaries of Cheung Kong under the SFO as directors of Cheung Kong. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of Cheung Kong and has no duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

- (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3").

Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of the Company held by TUT3 as trustee of UT3 under the SFO.

- (2) *The references to 18,613,202 underlying shares of the Company relate to the same block of underlying shares comprising:*
- (a) *10,463,201 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong; and*
  - (b) *8,150,001 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2008 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong.*
- (3) *Such shares were held by certain companies of which Mr Li Ka-shing is interested in the entire issued share capital.*
- (4) *Such shares were held by certain companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.*
- (5) *Such shares were held by a company which is equally controlled by Mr Fok Kin-ning, Canning and his spouse.*
- (6) *Such shares were ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.*
- (7) *Such shares were indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and a discretionary beneficiary.*

## **(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company**

### ***Long positions in the shares, underlying shares and debentures of the associated corporations of the Company***

As at 31 December 2006, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong or the Company as described in Note (1) above:

- (i) (a) 1,912,109,945 shares, representing approximately 84.82% of the then issued share capital, in Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") of which 1,906,681,945 shares were held by a wholly owned subsidiary of the Company and 5,428,000 shares were held by TUT1 as trustee of UT1;
  - (b) 2 underlying shares in Cheung Kong Infrastructure by virtue of the HK\$300,000,000 capital guaranteed notes due 2009 held by a wholly owned subsidiary of Cheung Kong; and
  - (c) 31,644,801 underlying shares in Cheung Kong Infrastructure by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;
- (ii) 2,419,115,596 ordinary shares, representing approximately 50.76% of the then issued share capital, in Hutchison Telecommunications International Limited ("Hutchison Telecommunications International") of which 52,092,587 ordinary shares and 2,366,869,729 ordinary shares were held by certain wholly owned subsidiaries of each of Cheung Kong and the Company respectively and 153,280 ordinary shares were held by TUT3 as trustee of UT3. In addition, according to the disclosures made to the Company pursuant to and solely for the purposes of the SFO, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor appeared to be taken as being interested in the 917,759,172 ordinary shares, representing approximately 19.26% of the then issued share capital, in Hutchison Telecommunications International beneficially owned by Orascom Telecom Eurasia Limited ("Orascom"), a substantial shareholder of Hutchison Telecommunications International and controlled exclusively by Orascom and Orascom Telecom Holding S.A.E. ("OTH"), another substantial shareholder of Hutchison Telecommunications International as a result of the application of Sections 317 and 318 of the SFO by virtue of the Company, one of the abovementioned wholly owned subsidiaries of the Company, OTH and Orascom 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 ordinary shares of Hutchison Telecommunications International even though no ordinary shares of Hutchison Telecommunications International have been acquired in pursuance of that agreement;

- (iii) (a) 829,599,612 shares, representing approximately 38.87% of the then issued share capital, in Hongkong Electric Holdings Limited ("Hongkong Electric") which shares were held by certain wholly owned subsidiaries of Cheung Kong Infrastructure; and  
  
(b) 20,990,201 underlying shares in Hongkong Electric by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong;
- (iv) 1,429,024,545 shares, representing approximately 36.71% of the then issued share capital, in TOM Group Limited ("TOM Group") of which 476,341,182 shares and 952,683,363 shares were held by a wholly owned subsidiary of each of Cheung Kong and the Company respectively;
- (v) 146,809,478 common shares, representing approximately 34.60% of the then issued share capital, in Husky Energy Inc. ("Husky Energy") held by a wholly owned subsidiary of the Company; and
- (vi) all interests in shares, underlying shares and/or debentures in all associated corporations of the Company.

As Mr Li Ka-shing may be regarded as a founder of DT3 for the purpose of SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of DT3 as disclosed in Note (1) above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in 152,801,701 common shares, representing approximately 36.02% of the then issued share capital, in Husky Energy which were held by a company in respect of which DT3 as trustee of DT3 is indirectly entitled to substantially all the net assets thereof and of which Mr Li Ka-shing is additionally entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings. In addition, Mr Li Ka-shing had, as at 31 December 2006, corporate interests in (i) 4,600 class C common shares, representing 46% of the then issued share capital, in Husky Oil Holdings Limited; and (ii) 27,513,355 ordinary shares, representing approximately 0.58% of the then issued share capital, in Hutchison Telecommunications International, which were held by companies of which Mr Li Ka-shing is interested in the entire issued share capital.

Mr Li Tzar Kuoi, Victor had, as at 31 December 2006, the following interests:

- (i) family interests in 151,000 shares, representing approximately 0.007% of the then issued share capital, in Hongkong Electric held by his spouse; and
- (ii) corporate interests in (a) a nominal amount of US\$21,000,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited ("HWI(03/13)"); (b) a nominal amount of US\$12,000,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited; (c) a nominal amount of US\$8,000,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI(03/33)"); (d) a nominal amount of US\$15,000,000 in the 7.45% Notes due 2033 issued by HWI(03/33); and (e) 2,519,250 ordinary shares, representing approximately 0.05% of the then issued share capital, in Hutchison Telecommunications International, which were held by companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

Mr Fok Kin-ning, Canning had, as at 31 December 2006, the following interests:

- (i) corporate interests in (a) a nominal amount of €4,600,000 in the 4.125% Notes due 2015 issued by Hutchison Whampoa Finance (05) Limited; (b) a nominal amount of US\$2,500,000 in the 6.50% Notes due 2013 issued by HWI(03/13); (c) a nominal amount of US\$2,000,000 in the 7.45% Notes due 2033 issued by HWI(03/33); (d) a nominal amount of US\$2,500,000 in the 5.45% Notes due 2010 issued by HWI(03/33); and (e) a nominal amount of US\$2,500,000 in the 6.25% Notes due 2014 issued by HWI(03/33);

- (ii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.075% of the then issued share capital, in Hutchison Harbour Ring Limited ("Hutchison Harbour Ring");
- (iii) (a) 5,100,000 ordinary shares, representing approximately 0.75% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications Australia") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively; and
  - (b) 1,474,001 underlying shares in Hutchison Telecommunications Australia comprising personal and corporate interests in 134,000 underlying shares and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by Hutchison Telecommunications Australia;
- (iv) corporate interests in 1,202,380 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications International;
- (v) corporate interests in 300,000 common shares, representing approximately 0.07% of the then issued share capital, in Husky Energy; and
- (vi) corporate interests in 225,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.15% of the then issued share capital, in Partner Communications Company Ltd. ("Partner Communications").

Mr Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2006, personal interests in 250,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in Hutchison Telecommunications International.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in (i) 1,000,000 ordinary shares, representing approximately 0.15% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 17,000 American Depositary Shares (each representing 15 ordinary shares), representing approximately 0.005% of the then issued share capital, in Hutchison Telecommunications International.

Mr Kam Hing Lam in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in 100,000 shares, representing approximately 0.004% of the then issued share capital, in Cheung Kong Infrastructure.

Mr Holger Kluge in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in (i) 200,000 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications Australia; and (ii) 10,000 common shares and 1,187 unlisted and physically settled Deferred Share Units (each representing 1 common share), in aggregate representing approximately 0.003% of the then issued share capital, in Husky Energy.

Mr George Colin Magnus had, as at 31 December 2006, the following interests:

- (i) 13,333 ordinary shares, representing approximately 0.0003% of the then issued share capital, in Hutchison Telecommunications International comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse; and
- (ii) personal interests in 25,000 American Depositary Shares (each representing one ordinary share), representing approximately 0.02% of the then issued share capital, in Partner Communications held in his capacity as a beneficial owner.

Mr Simon Murray in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in 5,000 common shares, representing approximately 0.001% of the then issued share capital, in Husky Energy.

Mr William Shurniak in his capacity as a beneficial owner had, as at 31 December 2006, personal interests in 1,286 common shares, representing approximately 0.0003% of the then issued share capital, in Husky Energy.

### ***Short positions in the underlying shares of the associated corporations of the Company***

As at 31 December 2006, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong as described in Note (1) above:

- (i) 31,644,801 underlying shares in Cheung Kong Infrastructure by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong; and
- (ii) 20,990,201 underlying shares in Hongkong Electric by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong.

Save as disclosed above, as at 31 December 2006, none of the Directors or 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 corporations (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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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 interests 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 and underlying shares of the Company*

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	2,130,202,773 <sup>(1)</sup>	18,613,202 <sup>(2)</sup>	2,148,815,975	50.40%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	2,130,202,773 <sup>(1)</sup>	18,613,202 <sup>(2)</sup>	2,148,815,975	50.40%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	2,130,202,773 <sup>(1)</sup>	18,613,202 <sup>(2)</sup>	2,148,815,975	50.40%
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interest of controlled corporations	2,130,202,773 <sup>(1)</sup>	18,613,202 <sup>(2)</sup>	2,148,815,975	50.40%
Continental Realty Limited	Beneficial owner	465,265,969 <sup>(3)</sup>	-	465,265,969	10.91%

#### *Short positions in the underlying shares of the Company*

Name	Capacity	Number of underlying shares held	Approximate % of shareholding
TDT1	Trustee and beneficiary of a trust	18,613,202 <sup>(2)</sup>	0.43%
TDT2	Trustee and beneficiary of a trust	18,613,202 <sup>(2)</sup>	0.43%
TUT1	Trustee	18,613,202 <sup>(2)</sup>	0.43%
Cheung Kong	Interest of controlled corporations	18,613,202 <sup>(2)</sup>	0.43%

## REPORT OF THE DIRECTORS

### (II) Interests and short positions of other persons 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
Honourable Holdings Limited	Interest of controlled corporations	322,942,375 <sup>(3)</sup>	7.57%
Winbo Power Limited	Beneficial owner	236,260,200 <sup>(2)</sup>	5.54%
Polycourt Limited	Beneficial owner	233,065,641 <sup>(2)</sup>	5.47%
Well Karin Limited	Beneficial owner	226,969,600 <sup>(3)</sup>	5.32%

#### Notes:

- (1) The four references to 2,130,202,773 shares of the Company relate to the same block of shares of the Company which represent the total number of shares of the Company held by certain wholly owned subsidiaries of Cheung Kong where Cheung Kong is taken to be interested in such shares under the SFO. In addition, by virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same 2,130,202,773 shares of the Company held by Cheung Kong as described in Note (1)(a) of the section titled "Directors' Interests and Short Positions in the Shares, Underlying Shares and Debentures".
- (2) The references to 18,613,202 underlying shares of the Company relate to the same block of interest and short position in the underlying shares of the Company which were derived from the HK Dollar equity-linked notes due 2007 and the HK Dollar equity-linked notes due 2008 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly owned subsidiary of Cheung Kong. By virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest and short position in the 18,613,202 underlying shares of the Company held by Cheung Kong as described in Note (1)(a) of the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".
- (3) These are wholly owned subsidiaries of Cheung Kong and their interests in the shares of the Company are duplicated in the interests of Cheung Kong.

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 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.

### Share Option Schemes

The Company has no share option scheme but certain of the Company's subsidiary companies have adopted share option schemes. The principal terms of such share option schemes are summarised as follows:

#### (I) 3 ITALIA S.P.A. ("3 Italia")

The purpose of the employee share option plan of 3 Italia (the "3 Italia Plan") is to provide 3 Italia with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to any employee of 3 Italia and any other company of which 3 Italia has control from time to time (the "3 Italia Participating Company") or any director of any 3 Italia Participating Company who is required to devote to his duties a substantial part of his working hours (the "3 Italia Eligible Employees").

The remuneration committee of the board of directors of 3 Italia (the "3 Italia Remuneration Committee") may grant options under the 3 Italia Plan to acquire the ordinary shares in the capital of 3 Italia (the "3 Italia Shares") to individuals who are 3 Italia Eligible Employees, subject always to any limits and restrictions specified in the rules of the 3 Italia Plan as amended from time to time.

The form, manner and timing of grant of the options, the maximum number of 3 Italia Shares in respect of each option, the price at which each 3 Italia Share subject to an option may be acquired on the exercise of that option being subject to adjustment in case of reorganisation of capital structure (the "Subscription Price"), any condition on exercise of each option, and all other terms relating or attaching to such grant shall be at the absolute discretion of the 3 Italia Remuneration Committee subject to compliance with the Listing Rules.

A 3 Italia Eligible Employee is not required to pay for the grant of an option under the 3 Italia Plan.

The Subscription Price will be, (i) in the case of the one time initial grants of options recognising the long service and ongoing contribution of those 3 Italia Eligible Employees who were 3 Italia Eligible Employees prior to 31 July 2001 and who at the date on which an option is granted under the 3 Italia Plan (the "3 Italia Date of Grant") remain so employed and who the 3 Italia Remuneration Committee determines should receive such an initial grant, the price as determined by the 3 Italia Remuneration Committee, and (ii) in any other case the market value of the 3 Italia Share at the 3 Italia Date of Grant as determined by the 3 Italia Remuneration Committee but in any event not being less than the nominal value (if any) of such 3 Italia Share at the 3 Italia Date of Grant.

In respect of any option granted either: (i) after the Company has resolved to seek a separate listing and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the Stock Exchange in relation to a listing on the Main Board of the Stock Exchange (or an equivalent application in the case of a listing on the Growth Enterprise Market of the Stock Exchange or an overseas exchange) up to the date of the listing, and where the Subscription Price notified to an option holder is less than the issue price of the 3 Italia Shares on listing, the Subscription Price shall be adjusted to the issue price of the 3 Italia Shares on listing and no option (to which the rules of the 3 Italia Plan applies) shall be exercised at a Subscription Price below such issue price.

Subject always to the paragraph below, no option shall be granted under the 3 Italia Plan which would, at the 3 Italia Date of Grant, cause the number of 3 Italia Shares which shall have been or may be issued both in pursuance of options granted under the 3 Italia Plan and under any other share option scheme (the "3 Italia Option Plan Shares") to exceed 5% of the number of the 3 Italia Shares in the capital of 3 Italia in issue as at 20 May 2004, being the date of passing of the relevant resolution approving the 3 Italia Plan. This limit may only be exceeded with approval of the shareholders of both 3 Italia and the Company in general meetings in accordance with the requirements of the Listing Rules. As at the date of this report, the total number of 3 Italia Shares available for issue under the 3 Italia Plan is 32,231,897, which represented approximately 2.47% of the total number of 3 Italia Shares in issue as at that date.

No option shall be granted under the 3 Italia Plan which would, at the 3 Italia Date of Grant, cause the number of 3 Italia Option Plan Shares which shall have been or may be issued both in pursuance of the options granted under the 3 Italia Plan and under any other share option scheme to exceed 130,185,000 without the prior written consent of the board of Directors of the Company.

The limit on the number of 3 Italia Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 3 Italia Plan and under any other share option scheme to 3 Italia Eligible Employees must not exceed 30% of the number of 3 Italia Shares in issue from time to time.

The 3 Italia Remuneration Committee shall not grant any options (the "3 Italia Relevant Options") to any 3 Italia Eligible Employee which, if exercised, would result in such 3 Italia Eligible Employee becoming entitled to subscribe for such number of 3 Italia Shares as, when aggregated with the total number of 3 Italia Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the 3 Italia Date of Grant of the 3 Italia Relevant Options, exceed 1% of the number of 3 Italia Shares in issue at such date. Notwithstanding this, the 3 Italia Remuneration Committee may grant options to any 3 Italia Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of 3 Italia and the Company in general meetings (with such 3 Italia Eligible Employee and his Associates (as defined in the Listing Rules) abstaining from voting in favour) in compliance with the requirements of the Listing Rules.

An option may be exercised in whole or in part by an option holder or where appropriate by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the relevant option. Options must be exercised with the period of eight years from the 3 Italia Date of Grant.

The 3 Italia Remuneration Committee may at any time, commencing on 20 May 2004 (being the date of adoption of the 3 Italia Plan) and until the eighth anniversary thereof, grant options under the 3 Italia Plan to individuals who are 3 Italia Eligible Employees.

The following share options were outstanding under the 3 Italia Plan during the year ended 31 December 2006:

Name or category of participant	Effective date of grant or date of grant of share options <sup>(1)</sup>	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options €	Price of 3 Italia Share	
									At grant date of share options <sup>(3)</sup> €	At exercise date of share options €
Employees in aggregate	20.5.2004	18,526,032	-	-	(682,561)	17,843,471	From Listing <sup>(2)</sup> to 16.7.2009	5.17	5.00	N/A
	20.11.2004	2,816,683	-	-	(131,146)	2,685,537	From Listing to 16.7.2009	5.17	5.00	N/A
	2.2.2005	335,320	-	-	-	335,320	From Listing to 16.7.2009	5.17	5.00	N/A
	6.9.2005	4,311,469	-	-	(149,031)	4,162,438	From Listing to 16.7.2009	5.17	5.00	N/A
Total:		25,989,504	-	-	(962,738)	25,026,766				

Notes:

(1) The share options shall vest as to one-third on the date of (and immediate following) a Listing, as to a further one-third on the date one calendar year after a Listing and as to the final one-third on the date two calendar years after a Listing.

(2) Listing refers to an application being made to the competent listing authority for admission to trading on a recognised stock exchange of the ordinary share capital of 3 Italia.

(3) Nominal value of shares on date of grant set out for reference only.

As at the date of this report, 3 Italia had 24,308,436 share options outstanding under the 3 Italia Plan, which represented approximately 1.87% of the 3 Italia Shares in issue as at that date.

No option had been granted under the 3 Italia Plan during the year ended 31 December 2006.

## (II) HUTCHISON 3G UK HOLDINGS LIMITED ("Hutchison 3G UK Holdings")

The purpose of the employee share option plan of Hutchison 3G UK Holdings (the "H3GUKH Plan") is to provide Hutchison 3G UK Holdings with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible employees of Hutchison 3G UK Holdings (the "H3GUKH Eligible Employees"), being:

- (a) any employee of Hutchison 3G UK Holdings and any other company of which Hutchison 3G UK Holdings has control from time to time (collectively the "H3GUKH Participating Company"); or
- (b) any director of any H3GUKH Participating Company who is required to devote to his duty substantially the whole of his working hours being not less than 25 hours per week.

The remuneration committee of the board of Hutchison 3G UK Holdings (the "H3GUKH Remuneration Committee") may grant options under the H3GUKH Plan to acquire the ordinary shares in the capital of Hutchison 3G UK Holdings (the "H3GUKH Shares") to individuals who are H3GUKH Eligible Employees, subject always to any limits and restrictions specified in the rules of the H3GUKH Plan as amended from time to time.

An H3GUKH Eligible Employee is not required to pay for the grant of an option under the H3GUKH Plan.

The subscription price for H3GUKH Shares will be, (i) in the case of the one time initial grants of options recognising the long service and ongoing contribution of the founders and other H3GUKH Eligible Employees who were H3GUKH Eligible Employees prior to 31 March 2001 and who at the date on which an option is granted under the H3GUKH Plan (the "H3GUKH Grant Date") remain so employed and who the H3GUKH Remuneration Committee determines should receive such an initial grant, the price as determined by the H3GUKH Remuneration Committee (not being less than £1.00 per share); and (ii) in any other case the market value of the H3GUKH Shares at the H3GUKH Grant Date as determined by the H3GUKH Remuneration Committee but in any event not being less than the nominal value (if any) of such H3GUKH Share at the H3GUKH Grant Date.

In respect of any option granted either: (i) after the Company has resolved to seek a separate listing and up to the date of the listing; or (ii) during the period commencing six months before the lodgement of Form A1 to the Stock Exchange in relation to a listing on the Main Board of the Stock Exchange (or an equivalent application in case of a listing on the Growth Enterprise Market of the Stock Exchange, the London Stock Exchange or an overseas exchange) up to the date of listing, and where the subscription price notified to an option holder is less than the issue price of the H3GUKH Shares on listing, the subscription price shall be adjusted to the issue price of the H3GUKH Shares on listing and no option (to which the rules of the H3GUKH Plan applies) shall be exercised at a subscription price below such issue price.

Subject always to the paragraph below, no option shall be granted under the H3GUKH Plan which would, at the H3GUKH Grant Date, cause the number of H3GUKH Shares which shall have been or may be issued both in pursuance of options granted under the H3GUKH Plan and under any share option scheme (the "H3GUKH Option Plan Shares") to exceed 5% of the number of H3GUKH Shares in the capital of Hutchison 3G UK Holdings in issue as at 20 May 2004, being the date of passing of the relevant resolution approving the H3GUKH Plan. This limit may only be exceeded with the approval of the shareholders of both Hutchison 3G UK Holdings and the Company in general meetings in accordance with the requirements of the Listing Rules. As at the date of this report, the total number of H3GUKH Shares available for issue under the H3GUKH Plan is 222,274,337, which represented 5% of the total number of H3GUKH Shares in issue as at that date.

No option shall be granted under the H3GUKH Plan which would, at the H3GUKH Grant Date, cause the number of H3GUKH Option Plan Shares to exceed 4% of the number of H3GUKH Shares in issue at the date of approval of the H3GUKH Plan without the prior written consent of the board of Directors of the Company.

The limit on the number of H3GUKH Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the H3GUKH Plan and under any other share option scheme to H3GUKH Eligible Employees must not exceed 30% of the number of H3GUKH Shares in issue from time to time.

The H3GUKH Remuneration Committee shall not grant any options (the "H3GUKH Relevant Options") to any H3GUKH Eligible Employee which, if exercised, would result in such H3GUKH Eligible Employee becoming entitled to subscribe for such number of H3GUKH Shares as, when aggregated with the total number of H3GUKH Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the H3GUKH Grant Date of the H3GUKH Relevant Options, exceed 1% of the number of H3GUKH Shares in issue at such date. Notwithstanding this, the H3GUKH Remuneration Committee may grant options to any H3GUKH Eligible Employee causing this limit to be exceeded, but only with the approval of the shareholders of Hutchison 3G UK Holdings and the Company in general meeting (with such H3GUKH Eligible Employee and his Associates (as defined in the Listing Rules) abstaining from voting in favour) in compliance with the requirements of the Listing Rules.

An option may be exercised in whole or in part by the option holder or where appropriate by his legal personal representatives at any time during the period commencing with a listing and terminating with the lapse of the relevant option. Options must be exercised within the period of ten years from the H3GUKH Grant Date.

The H3GUKH Remuneration Committee may at any time, commencing on 20 May 2004 (being the date of adoption of the H3GUKH Plan) and until the tenth anniversary thereof, grant options under the H3GUKH Plan to individuals who are H3GUKH Eligible Employees.

The following share options were outstanding under the H3GUKH Plan during the year ended 31 December 2006:

Name or category of participant	Effective date of grant or date of grant of share options <sup>(1)</sup>	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options	Price of H3GUKH Share	
									At grant date of share options <sup>(2)</sup>	At exercise date of share options
								£	£	£
Employees in aggregate	20.5.2004	18,342,000	-	-	-	18,342,000	From Listing <sup>(2)</sup> to 18.4.2011	1.00	1.00	N/A
	20.5.2004	52,065,750	-	-	(8,441,500)	43,624,250	From Listing to 18.4.2011	1.35	1.00	N/A
	20.5.2004	4,605,250	-	-	(883,250)	3,722,000	From Listing to 20.8.2011	1.35	1.00	N/A
	20.5.2004	2,375,000	-	-	(830,000)	1,545,000	From Listing to 18.12.2011	1.35	1.00	N/A
	20.5.2004	1,497,750	-	-	(560,000)	937,750	From Listing to 16.5.2012	1.35	1.00	N/A
	20.5.2004	2,177,750	-	-	(195,000)	1,982,750	From Listing to 29.8.2012	1.35	1.00	N/A
	20.5.2004	417,500	-	-	(45,000)	372,500	From Listing to 28.10.2012	1.35	1.00	N/A
	20.5.2004	875,000	-	-	(245,000)	630,000	From Listing to 11.5.2013	1.35	1.00	N/A
	20.5.2004	7,612,500	-	-	(3,075,000)	4,537,500	From Listing to 14.5.2014	1.35	1.00	N/A
	27.1.2005	4,447,750	-	-	(1,580,000)	2,867,750	From Listing to 26.1.2015	1.35	1.00	N/A
	11.7.2005	1,691,000	-	-	(572,750)	1,118,250	From Listing to 10.7.2015	1.35	1.00	N/A
<b>Total:</b>		<b>96,107,250</b>	<b>-</b>	<b>-</b>	<b>(16,427,500)</b>	<b>79,679,750</b>				

Notes:

(1) The share options granted to certain founders of Hutchison 3G UK Holdings shall vest as to 50% on the date of (and immediately following) a Listing, as to a further 25% on the date one calendar year after a Listing and as to the final 25% on the date two calendar years after a Listing. The share options granted to non-founders of Hutchison 3G UK Holdings shall vest as to one-third on the date of (and immediately following) a Listing, as to a further one-third on the date one calendar year after a Listing and as to the final one-third on the date two calendar years after a Listing.

(2) Listing refers to an application being made to the Financial Services Authority for admission to the official list of the ordinary share capital of Hutchison 3G UK Holdings or to have the shares of Hutchison 3G UK Holdings admitted to trading on the Alternative Investment Market operated by London Stock Exchange plc or in the United Kingdom or elsewhere.

(3) Nominal value of shares on date of grant set out for reference only.

As at the date of this report, Hutchison 3G UK Holdings had 65,216,750 share options outstanding under the H3GUKH Plan, which represented approximately 1.47% of the H3GUKH Shares in issue at as that date.

No option had been granted under the H3GUKH Plan during the year ended 31 December 2006.

### (III) HUTCHISON CHINA MEDITECH LIMITED ("Hutchison China MediTech")

The purpose of the share option scheme of Hutchison China MediTech (the "HCML Plan") is to provide Hutchison China MediTech with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to HCML Eligible Persons. An "HCML Eligible Person" shall be any person who is (or will be on and following the date of offer of the relevant option) a director (other than an independent non-executive director) or an employee of Hutchison China MediTech, its listed parent(s) (i.e. currently the Company) and any of their subsidiaries, and any holding company, subsidiaries or affiliates of Hutchison China MediTech or other companies which the board of directors of HCML (the "HCML Board") determines will be subject to the HCML Plan, who is notified by the HCML Board that he or she is an eligible person. Actual participation is at the discretion of the HCML Board.

The HCML Board may offer the grant to an HCML Eligible Person, an option to subscribe for such number of ordinary shares in the share capital of Hutchison China MediTech (the "HCML Shares").

The maximum number of HCML Shares to be allotted and issued subject to the HCML Plan is as follows:-

- (a) The total number of HCML Shares issued or issuable pursuant to options granted under all employees' share schemes of Hutchison China MediTech must not in aggregate exceed 5% of the HCML Shares in issue on the date on which the HCML Shares are listed to trading on a recognised stock exchange (including the Alternative Investment Market operated by London Stock Exchange plc ("AIM")) (the "HCML Listing").
- (b) However, the HCML Board may refresh and recalculate the limit by reference to the issued share capital of Hutchison China MediTech then prevailing with the approval of the shareholders of its listed parent (i.e. currently the Company) if required under the Listing Rules in general meeting, provided that the total number of HCML Shares issued and issuable pursuant to the exercise of options under all employees' share schemes of Hutchison China MediTech may not exceed 10% of the issued ordinary share capital on the date of the approval of the refreshed limit. Options previously granted under the HCML Plan and any other employee share schemes of Hutchison China MediTech (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the limit as refreshed. As at the date of this report, the total number of HCML Shares available for issue under the HCML Plan is 2,560,606, which represent 5% of the total number of HCML Shares in issue as at that date.
- (c) Options may be granted to any HCML Eligible Person or HCML Eligible Persons specifically identified by the HCML Board in excess of the limit, including the refreshed limit, under paragraphs (a) and (b) above, with the approval of the shareholders of Hutchison China MediTech in general meeting and by the shareholders of the listed parent if required under the Listing Rules and subject to paragraphs (d) and (e) below and restrictions on grant to key individuals under the HCML Plan.
- (d) (i) No HCML Eligible Person may be granted an option if as a result the total number of HCML Shares over which that HCML Eligible Person holds options granted in the previous 12 months, when added to the number of HCML Shares the subject of the proposed grant, would exceed 1% of the issued ordinary share capital of HCML on that date; and  
(ii) Notwithstanding paragraph (d)(i) above, options may be granted to any HCML Eligible Person or HCML Eligible Persons which would cause the limit under paragraph (d)(i) above to be exceeded, but only with the approval of the shareholders of the listed parent in general meeting and subject to paragraph (e) below.

(e) Notwithstanding the above, under no circumstances may options be outstanding over more than 10% of the issued ordinary share capital of Hutchison China MediTech at any time.

Subject to and in accordance with the rules of the HCML Plan, an option may be exercised during a period which is notified at the offer date of the option, such period not to exceed the period of ten years from such offer date.

Option holders are not required to pay for the grant of any option.

The exercise price, subject to any adjustment according to the rules of the HCML Plan, for the options will be:

(a) in the case of the one time initial grants of options by Hutchison China MediTech under the HCML Plan to founders and non-founders prior to the HCML Listing, the price determined by the HCML Board and notified to the relevant option holder; and

(b) in respect of any other option, the Market Value (as defined below) of the HCML Shares as at the offer date.

“Market Value” on any particular day on or after the HCML Listing means: the higher of (i) the average of the closing prices of the HCML Shares on the five dealing days immediately preceding the offer date; (ii) the closing price of the HCML Shares as stated on a recognised stock exchange’s daily quotations sheet of such shares on the offer date; and (iii) the nominal value of the HCML Shares.

Subject to the termination provisions in the HCML Plan, the HCML Plan shall be valid and effective for a period of ten years commencing on 18 May 2006, being the date of adoption of the HCML Plan, after which period no further options will be granted but the provisions of the HCML Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the expiry of the ten-year period and which are at that time or become thereafter capable of exercise under the rules of the HCML Plan, or otherwise to the extent as may be required in accordance with the provisions of the HCML Plan.

The following share options were outstanding under the HCML Plan during the year ended 31 December 2006:

Name or category of participant	Effective date of grant or date of grant of share options <sup>(1)</sup>	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options	Price of HCML Share	
									At grant date of share options	At exercise date of share options
								£	£	£
Christian Hogg (a director of Hutchison China MediTech)	19.5.2006	N/A	768,182	-	-	768,182	19.5.2006 to 3.6.2015	1.09	2.505 <sup>(2)</sup>	N/A
Other employees in aggregate	19.5.2006	N/A	1,229,089	-	(25,606)	1,203,483	19.5.2006 to 3.6.2015	1.09	2.505 <sup>(2)</sup>	N/A
Employees in aggregate	11.9.2006	N/A	161,063	-	-	161,063	11.9.2006 to 18.5.2016	1.715	1.715 <sup>(3)</sup>	N/A
Total:			<u>2,158,334</u>	<u>-</u>	<u>(25,606)</u>	<u>2,132,728</u>				

## REPORT OF THE DIRECTORS

### Notes:

- (1) The share options granted to certain founders of Hutchison China MediTech are subject to amongst other relevant vesting criteria the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founders of Hutchison China MediTech are subject to amongst other relevant vesting criteria the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.
- (2) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the AIM on the date of admission of listing of the shares.
- (3) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the AIM on the trading day immediately prior to the date of the grant of the share options.

As at the date of this report, Hutchison China MediTech had 2,132,728 share options outstanding under the HCML Plan, which represented approximately 4.16% of the HCML Shares in issue as at that date.

The fair value of options granted during the year, determined using the Binomial Model was as follows:

	Effective date of grant of share option	
	11 September 2006	19 May 2006
Value of each option	£0.553	£1.546
Total value of share option scheme	£88,993	£3,049,057
Significant inputs into the valuation model:		
Exercise price	£1.715	£1.09
Share price at effective grant date	£1.7325	£2.505
Expected volatility	38.8%	38.8%
Risk-free interest rate	4.766%	4.54%
Life of options	9.69 years	9.04 years
Expected dividend yield	0%	0%

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the comparable companies for the past one to two years as of the valuation date, that is, the grant date, since there is no or only a relatively short period of trading record of HCML Shares at the respective grant dates. Changes in such subjective input assumptions could affect the fair value estimate.

### (IV) HUTCHISON HARBOUR RING

The purpose of the share option scheme of Hutchison Harbour Ring (the "HHR Plan") is to enable Hutchison Harbour Ring and its subsidiaries (the "HHR Group") to grant options to selected participants as incentives or rewards for their contribution to the HHR Group, to continue and/or render improved service with the HHR Group, and/or to establish a stronger business relationship between the HHR Group and such participants.

The directors of Hutchison Harbour Ring (the "HHR Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK\$0.10 each in the share capital of Hutchison Harbour Ring (the "HHR Shares"):

- (a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any executive director but excluding any non-executive director) of Hutchison Harbour Ring (the "HHR Eligible Employee"), any of its subsidiaries or any entity (the "HHR Invested Entity") in which any member of the HHR Group holds any equity interest;
- (b) any non-executive directors (including independent non-executive directors) of Hutchison Harbour Ring, any of its subsidiaries or any HHR Invested Entity;
- (c) any supplier of goods or services to any member of the HHR Group or any HHR Invested Entity;
- (d) any customer of any member of the HHR Group or any HHR Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the HHR Group or any HHR Invested Entity;
- (f) any shareholder of any member of the HHR Group or any HHR Invested Entity or any holder of any securities issued by any member of the HHR Group or any HHR Invested Entity;
- (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the HHR Group; and
- (h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by Hutchison Harbour Ring for the subscription of HHR Shares or other securities of the HHR Group to any person who falls within any of the above classes of participants shall not, by itself, unless the HHR Directors otherwise determine, be construed as a grant of option under the HHR Plan.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the HHR Directors from time to time on the basis of their contribution to the development and growth of the HHR Group. The maximum number of HHR Shares to be allotted and issued is as follows:

- (a) The maximum number of HHR Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the HHR Plan and any other share option scheme of the HHR Group must not in aggregate exceed 30% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue from time to time.
- (b) The total number of HHR 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 the HHR Plan and any other share option scheme of the HHR Group) to be granted under the HHR Plan and any other share option scheme of the HHR Group must not in aggregate exceed 6% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the HHR Plan (the "HHR General Scheme Limit"). As at the date of this report, the total number of HHR Shares available for issue under the HHR Plan is 402,300,015, which represented 6% of the total number of HHR Shares in issue as at that date.

- (c) Subject to (a) above and without prejudice to (d) below, Hutchison Harbour Ring may seek approval of its shareholders (the "HHR Shareholders") in general meeting to refresh the HHR General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the HHR Shareholders for that purpose) provided that the total number of HHR Shares which may be allotted and issued upon the exercise of all options to be granted under the HHR Plan and any other share option scheme of the HHR Group must not exceed 10% of the relevant class of securities of Hutchison Harbour Ring (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the HHR Plan and any other share option scheme of the HHR Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, Hutchison Harbour Ring may seek separate approval of the HHR Shareholders in general meeting to grant options beyond the HHR General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by Hutchison Harbour Ring before such approval is sought.

The total number of HHR Shares issued and which may fall to be issued upon the exercise of the options granted under the HHR Plan and any other share option scheme of the HHR Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of Hutchison Harbour Ring for the time being (the "HHR Individual Limit"). Any further grant of options in excess of the HHR Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the HHR Shareholders in a general meeting of Hutchison Harbour Ring 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 HHR Shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be exercised in accordance with the terms of the HHR Plan at any time during a period to be determined on the date of offer for the grant of option and notified by the HHR Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the HHR Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the HHR Plan for the holding of an option before it can be exercised.

The subscription price for HHR Shares under the HHR Plan shall be a price determined by the HHR Directors but shall not be less than the highest of (i) the closing price of HHR Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HHR Shares on the date of the offer of grant which must be a business day; (ii) the average closing price of HHR Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of HHR Shares for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the HHR Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The HHR Plan will remain in force for a period of ten years commencing on the date on which the HHR Plan becomes unconditional.

The following share options were outstanding under the HHR Plan during the year ended 31 December 2006:

Name or category of participant	Date of grant of share options <sup>(1)</sup>	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Price of HHR Share		
								Exercise price of share options HK\$	At grant date of share options <sup>(2)</sup> HK\$	At exercise date of share options HK\$
Employees in aggregate	3.6.2005	122,250,000	-	-	(50,518,000)	71,732,000	3.6.2006 to 16.9.2014	0.822	0.82	N/A

Notes:

(1) The share options are exercisable subject to the vesting schedule of which approximately one-third of the options will be vested on each of 3 June 2006 and 3 June 2007 and the balance of the options will be vested on 3 June 2008.

(2) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.

As at the date of this report, Hutchison Harbour Ring had 65,932,000 share options outstanding under the HHR Plan, which represented approximately 0.98% of the HHR Shares in issue at as that date.

No option had been granted under the HHR Plan during the year ended 31 December 2006.

#### (V) HUTCHISON TELECOMMUNICATIONS AUSTRALIA

The purpose of the executive option plan of Hutchison Telecommunications Australia (the "HTAL Option Plan") is to provide selected employees of Hutchison Telecommunications Australia with the right to acquire ordinary shares in Hutchison Telecommunications Australia (the "HTAL Shares") at a predetermined price and subject to various conditions. The objectives of the HTAL Option Plan are to enable selected employees to benefit from growth in Hutchison Telecommunications Australia's share price, if any, without any downside risk, unless the options are exercised.

Options are granted to directors and executives of Hutchison Telecommunications Australia under the HTAL Option Plan which was approved by the board of directors of Hutchison Telecommunications Australia (the "HTAL Board") on 3 July 1999. The HTAL Option Plan is governed by the rules of the HTAL Option Plan. Full time, permanent part-time and casual employees are eligible to participate in the HTAL Option Plan and acquire the HTAL Shares.

The total number of securities available for issue under the HTAL Option Plan is 5% of the issued capital of Hutchison Telecommunications Australia (when combined with all other shares issued under employee participation schemes). However, under the current program, the HTAL Board has limited the total number of options to be issued to 20,000,000. This represents 2.95% of the issued share capital of Hutchison Telecommunications Australia as at the date of this report.

The maximum entitlement of each participant under the HTAL Option Plan is determined by the HTAL Board. Currently, the maximum period within which the shares must be taken up under any option already granted pursuant to the HTAL Option Plan is three years and nine months. Unless otherwise determined by the HTAL Board, there is no minimum period after the commencement of the exercise period under the HTAL Option Plan for the holding of an option before it can be exercised.

## REPORT OF THE DIRECTORS

Options are granted under the HTAL Option Plan for no consideration. Options granted under the HTAL Option Plan carry no dividend or voting rights. When exercisable, each option is convertible into one HTAL Share.

The following share options were outstanding under the HTAL Option Plan during the year ended 31 December 2006:

Name or category of participant	Date of grant of share options <sup>(1)</sup>	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Lapsed/ 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 HTAL Share	
									At grant date of share options <sup>(3)</sup>	At exercise date of share options
								AUD	AUD	AUD
Employees in aggregate	18.8.2001	70,000	-	-	(70,000)	-	18.8.2001 to 17.8.2006	0.540	0.540	N/A
	23.7.2004	13,840,000	-	-	(3,390,000)	10,450,000	1.9.2005 to 31.12.2010	0.455	0.455	N/A
	30.7.2004	50,000	-	-	-	50,000	1.9.2005 to 31.12.2010	0.460	0.460	N/A
	20.8.2004	100,000	-	-	(100,000)	-	1.9.2005 to 31.12.2010	0.405	0.405	N/A
	10.12.2004	450,000	-	-	-	450,000	1.9.2005 to 31.12.2010	0.360	0.360	N/A
	23.12.2004	150,000	-	-	-	150,000	1.9.2005 to 31.12.2010	0.345	0.345	N/A
	3.6.2005	50,000	-	-	-	50,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	1.7.2005	200,000	-	-	-	200,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	5.8.2005	200,000	-	-	-	200,000	1.9.2005 to 31.12.2010	0.270	0.270	N/A
	31.3.2006	N/A	4,815,000	-	(850,000)	3,965,000	1.9.2005 to 31.12.2010	0.255	0.255	N/A
	13.4.2006	N/A	150,000	-	-	150,000	1.9.2005 to 31.12.2010	0.250	0.250	N/A
<b>Total:</b>		<b>15,110,000</b>	<b>4,965,000</b>	<b>-</b>	<b>(4,410,000)</b>	<b>15,665,000</b>				

### Notes:

- (1) The share options are exercisable subject to amongst other relevant vesting criteria the vesting schedule of one-fourth on 1 September 2005, one-half on 1 September 2006 and the remaining one-fourth on 1 September 2007.
- (2) The exercise price of option disclosed is the higher of (i) the closing price of the options of HTAL Shares on the Australian Securities Exchange on the day on which the options are granted; and (ii) the average closing price of HTAL Shares for the five trading days immediately preceding the day on which the options are granted.
- (3) The price of the shares disclosed as at the date of grant of share options was the Australian Securities Exchange closing price on the trading day immediately prior to the date of the grant of the options.

As at the date of this report, Hutchison Telecommunications Australia had 11,840,000 share options outstanding under the HTAL Option Plan, which represented approximately 1.74% of the HTAL Shares in issue at as that date.

The fair value of options granted during the year, determined using the Black-Scholes option pricing model, was A\$0.10 per HTAL Share. The significant inputs into the model were weighted average share price of A\$0.25 at the grant date, weighted average of expected price volatility of HTAL Shares of 35%, weighted average expected life of options of four years, zero expected dividend yield and weighted average risk-free interest rate of 5.4%. The expected price volatility is based on the historical 12-month period prior to the grant date. Changes in such subjective input assumptions could affect the fair value estimate.

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.

### Directors' Interests in Competing Business

During the year ended 31 December 2006, the following Directors of the Company had interests in the following businesses (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 conducted during the year required to be disclosed pursuant to Listing Rule 8.10:

Name of Director	Name of company	Nature of interest	Nature of competing business
Li Ka-shing	Cheung Kong	Chairman	- Property and hotels - Finance & investments and others
Li Tzar Kuoi, Victor	Cheung Kong	Managing Director and Deputy Chairman	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Chairman	- Energy, infrastructure, finance & investments and others
	CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences")	Chairman	- Retail (research and development, manufacture and sale of environmental and human health products) - Finance & investments and others
	Hongkong Electric	Executive Director	- Energy
	Husky Energy	Co-Chairman	- Energy

## REPORT OF THE DIRECTORS

Name of Director	Name of company	Nature of interest	Nature of competing business
Fok Kin-ning, Canning	Cheung Kong	Non-executive Director	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Deputy Chairman	- Energy, infrastructure, finance & investments and others
	Hongkong Electric	Chairman	- Energy
	Husky Energy	Co-Chairman	- Energy
	Hutchison Harbour Ring	Chairman	- Property
	Hutchison Telecommunications Australia	Chairman	- Telecommunications
	Panva Gas Holdings Limited	Non-executive Director (Resigned on 8 August 2006)	- Energy
	Partner Communications	Chairman	- Telecommunications
Chow Woo Mo Fong, Susan	Cheung Kong Infrastructure	Executive Director	- Energy, infrastructure, finance & investments and others
	Hongkong Electric	Executive Director (Since 11 May 2006) Non-executive Director (From 1 January 2006 to 10 May 2006)	- Energy
	Hutchison Harbour Ring	Executive Director	- Property
	Hutchison Telecommunications Australia	Director (Appointed on 15 February 2006)	- Telecommunications
	Partner Communications	Director	- Telecommunications
	TOM Group	Non-executive Director	- Telecommunications (E-commerce and general information portals and broadband content)
	TOM Online Inc. ("TOM Online")	Alternate Director	- Telecommunications (wireless value added services, online advertising and commercial enterprise solutions)

<b>Name of Director</b>	<b>Name of company</b>	<b>Nature of interest</b>	<b>Nature of competing business</b>
Frank John Sixt	Cheung Kong	Non-executive Director	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Executive Director	- Energy, infrastructure, finance & investments and others
	Hongkong Electric	Executive Director	- Energy
	Husky Energy	Director	- Energy
	Hutchison Telecommunications Australia	Director	- Telecommunications
	Partner Communications	Director	- Telecommunications
	TOM Group	Chairman	- Telecommunications (E-commerce and general information portals and broadband content)
	TOM Online	Chairman	- Telecommunications (wireless value added services, online advertising and commercial enterprise solutions)
Lai Kai Ming, Dominic	Hutchison Harbour Ring	Deputy Chairman	- Property
	Hutchison Telecommunications Australia	Director	- Telecommunications
Kam Hing Lam	Cheung Kong	Deputy Managing Director	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Group Managing Director	- Energy, infrastructure, finance & investments and others
	CK Life Sciences	President and Chief Executive Officer	- Retail (research and development, manufacture and sale of environmental and human health products) - Finance & investments and others
	Hongkong Electric	Executive Director	- Energy
	Spark Infrastructure Group	Non-executive Director	- Energy
George Colin Magnus	Cheung Kong	Non-executive Director	- Property and hotels - Finance & investments and others
	Cheung Kong Infrastructure	Non-executive Director	- Energy, infrastructure, finance & investments and others
	Hongkong Electric	Non-executive Director	- Energy
William Shurniak	Husky Energy	Director and Deputy Chairman	- Energy

## REPORT OF THE DIRECTORS

As the Board of Directors is independent of the boards of the above entities, the Company 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 are non-executive directors of Hutchison Telecommunications International (an associated company of the Company) which was engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan is an alternate director to Mr Fok Kin-ning, Canning during the year. In addition, she was appointed as an alternate director to Mr Frank John Sixt on 1 September 2006. The non-competition agreement entered into by the Company and Hutchison Telecommunications International 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 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 Hutchison Telecommunications International Group exercises its option to acquire our Group's interest in Hutchison Telecommunications Argentina S.A., Argentina. The exclusive territory of the Hutchison Telecommunications International Group was comprised all the remaining countries of the world. There is no single country in which both groups have competing operations.

### Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the ordinary shares of the Company. In addition, the Company has not redeemed any of its ordinary shares 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 information available to the Company and within the knowledge of the Directors of the Company, approximately 48% of the issued share capital of the Company was held by the public.

### Auditor

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible will offer themselves for re-appointment.

By order of the Board

**Edith Shih**

*Company Secretary*

Hong Kong, 22 March 2007