

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

The Company has complied with the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2005 except that previously the Director holding office as Chairman of the Board of Directors and/or the Director appointed to the position of Managing Director of the Company were not, whilst holding such office, subject to retirement by rotation. It was disclosed in the 2005 Interim Report of the Company that amendment to the relevant provision of the Company's Articles of Association relating to retirement of the Chairman and the Director appointed to the position of Managing Director of the Company was approved at the Annual General Meeting of the Company held on 5 May 2005. Consequently, the Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices of the Listing Rules.

Board of Directors

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

Every newly appointed Director receives a comprehensive induction upon appointment. The induction ensures that each new Director has a proper understanding of the operations and business of the Group, is aware of his or her responsibilities as a Director and the business and governance policies of the Company.

The Chairman (non-executive) of the Company is Mr Canning Fok. His role is to manage and provide leadership to the Board. The Chairman ensures that the Company establishes sound corporate governance practices and procedures and encourages the Directors to make a full and active contribution to the affairs of the Board. The Chairman is also responsible for approving the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda. With the support of the Executive Directors and Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and receive complete and reliable information in a timely manner.

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

The roles of the Chairman and the Chief Executive Officer are clearly segregated. Further, the only relationship between the Chairman and the Chief Executive Officer is that arising from their common directorship of the Company and of Partner Communications Company Ltd., a subsidiary of the Company.

Until 21 December 2005, the Board had eleven Directors, namely, the Chairman, the Chief Executive Officer, the Chief Financial Officer, two Executive Directors (one of whom was appointed as a Director on 4 August 2005), the Chief Technology Officer (who was appointed as a Director on 8 March 2005), two other Non-executive Directors and three Independent Non-executive Directors. On 21 December 2005, two Executive Directors, the Chief Technology Officer and one of the Non-executive Directors resigned as Directors and were appointed as Alternate Directors. On the same date, two new Non-executive Directors and their respective Alternate Directors were appointed. As a result, as at 31 December 2005, the Board comprised nine Directors: the Chairman, the Chief Executive Officer, the Chief Financial Officer, three other Non-executive Directors and three Independent Non-executive Directors. Each of the Non-executive Directors is appointed for a term ending 31 December 2006, subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. All Directors are subject to retirement from office by rotation and shall be eligible for re-election by shareholders at the annual general meeting following their appointment.

The Board meets regularly and no less than four times a year. Between meetings, the senior management of the Company provides the Directors with information on a timely basis regarding the activities and developments in the businesses of the Group. In addition, the Non-executive Directors (including the Independent Non-executive Directors) meet with the Chairman at least twice a year without the Executive Directors present.

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

The Board held six meetings in 2005 and has held one meeting in 2006 to date. The Board has an average attendance rate of 94%.

The individual attendance of each Director, on a named basis is set out below.

	Directors/Alternate Directors	Total number of meetings attended/eligible to attend
Chairman	Fok Kin-ning, Canning	7/7
Chief Executive Officer and Executive Director	Dennis Pok Man Lui	7/7
Chief Financial Officer and Executive Director	Tim Lincoln Pennington	7/7
Non-executive Directors	Frank John Sixt	6/7
	Naguib Sawiris ⁽¹⁾	1/1
	Aldo Mareuse ⁽¹⁾	1/1
Independent Non-executive Directors	Kwan Kai Cheong	7/7
	John W Stanton	6/7
	Kevin Westley	7/7
Alternate Directors	Chow Woo Mo Fong, Susan ⁽²⁾	5/6
	Chan Ting Yu ⁽²⁾	6/6
	Woo Chiu Man, Cliff ⁽³⁾	4/5
	Nardi, Kar Wai Agnes ⁽⁴⁾	1/1
	Martin Michlmayr ⁽⁵⁾	0/0
	Ragy Soliman ⁽⁵⁾	0/0

Notes:

(1) Appointed as Non-executive Director on 21 December 2005.

(2) Resigned as Director and appointed as Alternate Director on 21 December 2005.

(3) Appointed as Director on 8 March 2005. Resigned as Director and appointed as Alternate Director on 21 December 2005.

(4) Appointed as Director on 4 August 2005. Resigned as Director and appointed as Alternate Director on 21 December 2005.

(5) Appointed as Alternate Director on 21 December 2005.

Directors' Responsibility for the Financial Statements

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Auditors' Report on page 101 which acknowledges the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

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

Directors' Securities Transactions

In September 2004, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. This was further supplemented by the adoption, in December 2004, of the Securities Trading Policy, which applies to all personnel of the Company and the Company's subsidiaries. This policy applies to all transactions in the Company's securities, including options for any securities the Company may issue from time to time, such as common or preferred shares, warrants and convertible debentures, as well as derivative securities relating to the Company's shares, whether or not issued by the Company, such as exchange-traded options.

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

Nomination

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. On 21 December 2005, Messrs Naguib Sawiris and Aldo Mareuse were appointed to the Board. Mr Sawiris brings to the Board the benefit of his public company board and telecommunications experience. Mr Mareuse contributes financial management and reporting expertise and knowledge of the telecommunications industry.

Remuneration Committee

The Company has a Remuneration Committee which comprises three members with experience in human resources and personnel emoluments. The Committee is chaired by the Chairman, Mr Canning Fok. The other two members are Messrs Kwan Kai Cheong and Kevin Westley, both Independent Non-executive Directors.

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

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

The Remuneration Committee last met on 5 December 2005 to review and consider the remuneration package of Directors and senior management of the Company. Earlier in the year, the Remuneration Committee also reviewed and made recommendations to the Board in respect of the allocation of options to Executive Directors, senior management and other employees under the Company's share option scheme as described on pages 89 to 92. The remuneration, including option grants, of Directors and senior management was determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other companies in the telecommunications industry and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the performance of the individual.

The Remuneration Committee held two meetings in 2005. Messrs Canning Fok and Kwan Kai Cheong attended two meetings and Mr Kevin Westley attended one meeting.

The Directors' fees for year 2005 amounted to HK\$3.96 million. The emoluments of the Directors of the Company paid in connection with the management of the affairs of the Group, excluding amounts received from the Company's listed subsidiary companies and paid to the Company, are as follows:

Name	Basic Salaries, Allowances and Benefits-in-kind			Provident Fund Contributions	Share-based Payments	Inducement or Compensation on Fees	Total Emolument
	Fees	HK\$ millions	Bonus				
FOK Kin-ning, Canning	0.39	-	-	-	-	-	0.39
Dennis Pok Man LUI ⁽¹⁾	0.27	3.52	10.00	0.27	9.40	-	23.46
Tim Lincoln PENNINGTON	0.27	3.47	2.48	0.56	3.48	-	10.26
Frank John SIXT	0.31	-	-	-	-	-	0.31
Naguib SAWIRIS ⁽²⁾	0.01	-	-	-	-	-	0.01
Aldo MAREUSE ⁽²⁾	0.01	-	-	-	-	-	0.01
	1.26	6.99	12.48	0.83	12.88	-	34.44
KWAN Kai Cheong	0.63	-	-	-	-	-	0.63
John W STANTON	0.55	-	-	-	-	-	0.55
Kevin WESTLEY	0.63	-	-	-	-	-	0.63
	1.81	-	-	-	-	-	1.81
CHOW WOO Mo Fong, Susan ⁽³⁾	0.31	-	-	-	-	-	0.31
CHAN Ting Yu ⁽³⁾	0.26	2.85	2.45	0.20	3.48	-	9.24
WOO Chiu Man, Cliff ⁽³⁾	0.22	2.19	2.16	0.14	2.44	-	7.15
NARDI, Kar Wai Agnes ⁽³⁾	0.10	2.85	2.00	0.19	2.78	-	7.92
	0.89	7.89	6.61	0.53	8.70	-	24.62

Notes:

- (1) Directors' fee received by this Director from the Company's listed subsidiary company has been paid to the Company and is not included in the amount above.
- (2) These Directors were appointed as Directors with effect from 21 December 2005.
- (3) These Directors resigned as Directors and were appointed as Alternate Directors of the Company with effect from 21 December 2005.

Management of the Company

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

Company Secretary

The Company Secretary, Ms Edith Shih, is responsible for timely compliance by the Company with all continuing obligations applicable to a Company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and whose ADSs are quoted on New York Stock Exchange, Inc.

The Company Secretary monitors all legislative, regulatory and corporate governance developments that may affect the Company and ensures that the Board is fully apprised of such developments.

The Company Secretary also ensures that Board procedures are correctly followed and that the Board functions smoothly by assisting the Chairman in setting meeting agendas and preparing and disseminating Board papers and minutes to the Directors and Board Committee members in a timely and comprehensive manner. Minutes of all Board meetings and Board Committee meetings are kept by the Company Secretary to record in sufficient detail the matters considered by the Board or Committee and decisions reached, including any concerns raised or dissenting views voiced by any Director.

Audit Committee

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

The Audit Committee held five meetings in 2005 and one meeting in 2006 to date. All Audit Committee members attended all of the meetings.

The Board is responsible for having the accounts of the Company prepared. The Audit Committee is responsible for monitoring the integrity of financial statements of the Company. In addition to the review of financial information of the Company, the terms of reference of the Audit Committee provide that the Committee's other primary duties are monitoring the relationship with the Company's external auditors and oversight of the Company's financial reporting system, internal control and risk management procedures. A copy of the Audit Committee's terms of reference can be found on the Company's website.

In 2005, the Audit Committee considered reports from the Chief Financial Officer and external auditors in respect of a number of matters including the Company's reporting, budgeting and forecasting procedures, audit strategy, quarterly key performance indicators and scope and progress of the US Sarbanes-Oxley Act of 2002 compliance project. With respect to the results of the Company for the year ended 31 December 2005, the Audit Committee reviewed with senior management and the auditors of the Company their respective audit findings, the accounting principles and practices adopted by the Group and internal control, risk management and financial reporting matters. This review by the Committee included an appraisal of the integrity of financial statements of the Company and the annual report and accounts of the Company.

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

Auditors' Remuneration

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

For the year ended 31 December 2005, the fees paid to the Company's auditors were primarily for audit services as there were no material non-audit service assignments undertaken by them.

Internal Control and Group Risk Management

Introduction

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

The various controls and procedures in place are described below.

Internal Control Environment

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

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

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

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

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

Review of Internal Controls

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

The various procedures described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives and to properly record and report financial information.

US Sarbanes-Oxley Act of 2002

In addition, as the Company is listed on the New York Stock Exchange, Inc., it is subject to the provisions of the US Sarbanes-Oxley Act of 2002 (the "Act"). Under the Act, the Company is required by 31 December 2006 to report that its internal controls over financial reporting are to a standard that satisfies the requirements under Section 404 of the Act. This requires that the Company has a process that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles ("GAAP"). It is also required to have policies and procedures that (i) pertain to the maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of the assets of the Group, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP, and that receipts and expenditures of the Group are being made only in accordance with authorisations of management and Directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Company's financial statements.

The Board has spearheaded a full review of the Group's system of internal controls over financial reporting in order to determine whether the Group's disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the US Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

A number of factors may affect the Group's ability to successfully implement and maintain internal controls over financial reporting that meet the standards of the Act, including that (i) the Group operates mainly in developing markets where access to qualified personnel with a sufficient knowledge of IFRS and US GAAP is not always readily available; (ii) many of the Group's businesses are growing rapidly which may increase the number and complexity of internal controls required; and (iii) the Group has acquired or may acquire, new businesses which had not been subject to the Act and therefore may not have internal controls over financial reporting in place that satisfy the requirements of the Act.

A review was commenced in October 2004 and has covered financial, operational and compliance controls and risk management functions. This review has identified a number of deficiencies in the Group's internal controls over financial reporting, some of which may be significant deficiencies or material weaknesses for purposes of the Act although they did not necessarily undermine the effectiveness of the Group's controls. These include the need to: (1) expand the US GAAP and IFRS expertise within the Group; (2) the standardization of financial reporting processes and procedures; (3) enhance the accounting for income taxes and deferred taxes; and (4) implement rigorous information technology-related controls, including controls over access to the Group's electronic information system and segregation of functional responsibilities. The Group is taking appropriate steps to remediate these potential material weaknesses and other

deficiencies in internal controls that have been identified. The examination of the Group's internal controls over financial reporting is a continuous process, and in the course of this process other deficiencies, including material weaknesses, may be identified in the future. Should such deficiencies be discovered, the Company will take appropriate steps to remediate them.

Shareholder Rights and Investor Relations

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

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

It is proposed that this year's annual general meeting be held on 16 May 2006. Notice of the annual general meeting will be published and sent to shareholders at least 21 days prior to that date and all shareholders are encouraged to attend. All substantive resolutions being considered at the annual general meeting are decided on a poll with the results published and also available on the Company's website.

All shareholders have statutory rights to call for an extraordinary general meeting and put forward agenda items for consideration by shareholders.

The public float capitalisation of the Company as at 31 December 2005 was approximately HK\$15.5 billion and that as at the date of this report is approximately HK\$17.7 billion.

By order of the Board

Edith SHIH

Company Secretary

Hong Kong, 9 March 2006