

Corporate Governance

Strengthening corporate
governance
Enhancing corporate value
Generating greater returns
for shareholders

The Company's goal has always been the enhancement of corporate value, with its core focus on the stable and positive long-term growth of EBITDA, net profit and cash flow, to ensure the sustainable long-term development of the Company and generate greater returns for shareholders. We are dedicated to implementing effective corporate governance. We firmly believe that through strengthening our corporate management, improving transparency and establishing effective accountability mechanisms, the Company will be able to better achieve the above objectives and operate in a more orderly manner. These will, in turn, promote investor confidence in the Company. Since 2002, the Company has implemented a series of measures to further enhance corporate governance. The Company's efforts and achievements in these areas won popular recognition from various sectors, and the Company received a number of awards from internationally-

renowned professional organisations and journals. These awards and honors have brought much pride and encouragement to the Company's management and employees, prompting continuous efforts and a drive to achieve even greater accomplishments.

The Board of Directors

The Board is responsible for the management of the Company and must be accountable to the shareholders for their entrusted assets and resources. The key responsibilities of the Board include the formulation of the Group's overall strategies, the setting of management targets and the supervision of the management's performance. There are currently four independent non-executive directors, constituting one-third of the Board. Independent non-executive directors are selected individuals whose objective judgements are not subject to the influence of the Company or its substantial shareholders. Furthermore, these individuals cannot assume executive positions in the Company. Independent non-executive directors owe a fiduciary duty to the Company and its shareholders and, in particular, must protect the interests of the minority shareholders. They serve as an important balancing factor in the functioning of the Board and are a crucial element of corporate governance. In addition, their broad experience in business and finance is vital to the successful development of the Company. The Board usually meets four times each year and the meetings are convened in accordance with established practice (including those relating to reporting and supervision). The Board currently has three principal Board committees, namely, the audit committee, the remuneration committee and the nomination committee.



Audit Committee

In 1998, the Company established the audit committee, which is comprised solely of independent non-executive directors. The audit committee's primary responsibilities include the review of the Group's financial reports, the related auditors' review report and management's responses to the review report. The audit committee will also discuss the audit procedures with the auditors, as well as any issues arising out of such procedures, and will review the auditors' appointment, the auditors' fees and any matters relating to the termination of the appointment or resignation of the auditors. In addition, the audit committee will also examine the effectiveness of the Group's internal controls, review the Group's internal audit plan, and submit relevant reports and recommendations to the Board on a regular basis. The audit committee usually meets four times each year.

Remuneration Committee

In 2000, the Company established the remuneration committee, which is comprised solely of independent non-executive directors. The primary responsibilities of the remuneration committee include advising the Board in relation to the remuneration structure and costs of the Company's executive directors and executives, as well as representing the Board in confirming the individual remuneration packages and employment terms of executive directors and approving their related employment contracts. Meetings of the remuneration committee are held when necessary. In 2002, the remuneration committee held three meetings, mainly to review and endorse the progress report on the implementation of the Group's employee positioning, remuneration and performance evaluation reforms, as well as share option grants to employees, including the executive directors.



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Nomination Committee

In 2001, the Company established the nomination committee, which is comprised mainly of independent non-executive directors. The primary responsibilities of the nomination committee include reviewing, advising and making recommendations to the Board on matters in relation to the appointment and re-appointment of Board members and ensuring the proper and transparent procedures for the appointment and re-appointment of directors. Meetings of the nomination committee are held when necessary. Two meetings were held in 2002.

Internal Controls and Internal Audit

To protect its assets and to ensure the accuracy and reliability of the financial information that the Company uses in its business and releases to the public, the Company conducts regular reviews of the effectiveness of the Group's internal control systems. The scope of these reviews includes finance and operations, regulatory compliance and risk management.

In 2002, the Company established an information disclosure committee, which is responsible for disclosure issues and reports directly to the Chief Executive Officer and the Chief Financial Officer. The information disclosure committee's members include the management of the Company. The Company has also enhanced the procedures and internal controls in relation to the collection, processing and disclosure of information, with a view to ensuring the truthfulness, accuracy and timeliness of such disclosures, and the prevention of any possible occurrence of accounting or disclosure problems, such as those experienced by certain large enterprises in the United States in 2002.

The internal audit of the Company carries out regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, taking into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The head of internal audit submits working reports and recommendations to the audit committee on a regular basis, which, in turn, reports regularly to the Board.

Corporate Transparency and Investor Communications

Generally, when announcing its interim results, annual results or any major transactions, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to investors and the public, and to address any questions they might have. In addition to reporting its interim results and annual results in accordance with regulatory requirements, the Company adheres to the practice of making quarterly disclosures of certain key, unaudited operational and financial data, to further increase the Group's transparency and to provide shareholders, investors and the general public with additional timely information so as to facilitate their understanding of the Group's operating position. The Company has high regard for the annual general meeting of its shareholders, as it provides a valuable opportunity for communication between the Board and the shareholders. At the meeting, the Board is available to fully address any questions raised by shareholders.



The Company also, from time to time, informs the market, in a timely fashion, of the latest significant business developments of the Company via press releases, announcements and publications on its Internet web-site. The Company has set up an Investor Relations Department and a Corporate Communications Department, which focus on providing information and services to our shareholders and investors, as well as the media. The Company also regularly updates the “Frequently Asked Questions” section on its Internet web-site, to provide succinct responses to the latest key issues of concern to investors. In addition, the Company publishes in real-time on its Internet web-site the important enquiries of investors and the media, together with the Company’s responses.



The Company supplements its regular meetings with research analysts and investors with periodic and large-scale on-site meetings to enable investors to inspect the actual operations of some of the Group’s operating subsidiaries. Investors may engage the management of the relevant operating subsidiaries and the Company’s holding company, China Mobile Communications Corporation, as well as officials from the relevant regulatory authorities, in direct discussions. These measures are intended to assist investors to better understand the development of the Group’s business and the overall telecommunications industry in China. In 2002, the management of the Company conducted a “non-capital raising” road show, and visited investors and shareholders throughout Asia, Europe and the United States, to inform them of the Company’s business operations and answer their questions.

