

CORPORATE GOVERNANCE REPORT



Our goal has always been to enhance our corporate value, maintain our sustainable long-term development and generate greater returns for our shareholders. In order to better achieve the above objectives, we have established good corporate governance practices following the principles of sincerity, transparency, openness and efficiency, and have implemented sound governance structure and measures. With respect to the key participants involved in the practice of good corporate governance, including shareholders, board of directors and its committees, management and staff, internal audit, external auditors and other stakeholders (including our customers, communities, peers, regulatory authorities, etc.), we have established and improved various policies, internal controls and other mechanisms.

We believe that corporate governance goes hand in hand with corporate culture. High standards of corporate governance are built on good corporate culture. Corporate governance principles and policies can only be applied effectively and consistently when a corporate culture that emphasizes honesty and integrity is built. Our core value is Responsibility Makes Perfection and our goal is to achieve a harmonious development between enterprise and industry, enterprise and society, and enterprise and environment.

Our corporate governance practices in 2009 include:

- made full use of the internal audit functions: the Company took a risk awareness oriented approach in carrying out audit work in close connection with new growth opportunities of the Company. Particularly, focus was given to auditing and evaluating the Company's IT risks and client information security control risks in order to improve client privacy protection. We further strengthened the in-depth and professionalism of our internal audit by actively applying computer-aided auditing techniques and tools. We built and applied a unified internal audit information system, realized information support and efficiency enhancement for our internal audit, its organization and management, and improved the supervision, assessment and service functions of our internal audit department.
- strengthened legal risk management: we conducted an overall legal risk evaluation on our operations, further improved the management system and established legal review mechanism especially on areas such as market competition, corporate customer businesses, data businesses and contract management. We also conducted internal trainings on various laws and regulations including Contract Law, Labour Contract Law and Anti-monopoly Law of China.

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- corporate social responsibility (“CSR”) management: in order to achieve the on-going improvement of our CSR performance, we launched the China Mobile Sustainability Index System and completed the first full assessment of the sustainability capabilities of our 31 operating subsidiaries. We also completed the pilot work for the CSR risk management, launched the China Mobile CSR Electronic Information Platform and set out the CSR Management Measures. In 2009, for the second consecutive year, we were recognized on the DJSI.

In addition, as a company listed in both Hong Kong and New York, we also set forth in this report a summary of the significant differences between the corporate governance practices of the Company and the corporate governance practices required to be followed by U.S. companies under the NYSE’s listing standards.

Compliance with the Code Provisions of the Code on Corporate Governance Practices

Throughout the financial year ended 31 December 2009, except for the code provision that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual, the Company has complied with all code provisions of the Code on Corporate Governance Practices as set forth in Appendix 14 to the Hong Kong Listing Rules.

Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. WANG Jianzhou. Mr. Wang joined the board of directors of the Company (the “Board”) in November 2004 and since then, has been the Chairman and the Chief Executive Officer of the Company in charge of the overall management of the Company. The Company believes that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company believes that through the supervision of the Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.

Shareholders

The Company’s controlling shareholder is China Mobile (Hong Kong) Group Limited, which, as of 31 December 2009, indirectly held approximately 74.22% of the Company’s share capital through a wholly-owned subsidiary, China Mobile Hong Kong (BVI) Limited. The remaining share capital of approximately 25.78% was held by public investors.

The Company uses a number of formal channels to account to shareholders for the performance and operations of the Company, particularly through our annual and interim reports. Generally, when announcing interim results, annual results or any major transactions in accordance with relevant regulatory requirements, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to shareholders, investors and the general public, and to address any questions they may have. In addition, the Company adheres to the practice of voluntarily disclosing on a quarterly basis certain key, unaudited operational and financial data, and on a monthly basis the number of customers on its website 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 operations.

The Company also has high regard for the annual general meetings of its shareholders, and makes substantial efforts to enhance communications between the Board and the shareholders. At the annual general meetings of shareholders, the Board always makes efforts to fully address any questions raised by shareholders. The last annual general meeting (“AGM”) of the Company was held on 19 May 2009 in the Conference Room, 3rd Floor, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong. The major items discussed and the percentage of votes cast in favor of the resolutions are set out as follows:

- the approval of the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2008 (99.9949%);
- the re-election of Mr. WANG Jianzhou, Mr. ZHANG Chunjiang, Mr. SHA Yuejia, Mr. LIU Aili, Mr. XU Long, Dr. Moses CHENG Mo Chi and Mr. Nicholas Jonathan READ as directors (94.8570% to 99.7565%);

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- the re-appointment of KPMG as auditors and authorizing the Board to determine its remuneration (99.9776%).

All resolutions were duly passed at this AGM. There were no restrictions on any shareholder casting votes on any of the proposed resolutions and Hong Kong Registrars Limited, the share registrar of the Company, acted as scrutineer for the vote-taking at the AGM. Poll results were announced at the meeting and on the websites of the Company and the HKEx on the day of the meeting.

The following table lists the key dates for our shareholders in the 2010 financial year. We will notify shareholders as soon as possible in case there is any change to the dates.

FY 2010 Shareholders' Calendar

18 March	Announcement of 2009 final results and final dividend
7 April	Upload of 2009 annual report on the Company website
8 April	Despatch of 2009 annual report to shareholders
12 May	2010 Annual General Meeting
End of May	Payment of 2009 final dividend
Mid-August	Announcement of 2010 interim results and interim dividend
End of September	Payment of 2010 interim dividend

The Board of Directors and the Board Committees

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting management targets, monitoring internal controls and financial management and supervising the management's performance, while the day-to-day operations and management are delegated by the Board to the executives of the Company. The Board operates in accordance with established practices (including those relating to reporting and supervision), and is directly responsible for formulating the Company's corporate governance guidelines.

The Board currently comprises 13 directors, namely Mr. WANG Jianzhou (Chairman), Mr. LI Yue, Mr. LU Xiangdong, Mr. XUE Taohai, Madam HUANG Wenlin, Mr. SHA Yuejia, Mr. LIU Aili, Madam XIN Fanfei and Mr. XU Long as executive directors, Dr. LO Ka Shui, Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi as independent non-executive directors and Mr. Nicholas Jonathan READ as non-executive director. Their biographies are presented on pages 7 to 11 of this annual report and also on the Company's website. To ensure the timely disclosure of any change of directors' personal information, the Company has set up a specific communication channel with each of our directors. There is no financial, business, family or other material relationships among members of the Board. The Company purchases Directors' and Officers' liabilities insurance on behalf of its directors and officers and reviews the terms of such insurance annually.

On 7 January 2010, a Board meeting was convened, at which meeting it was resolved that Mr. Zhang Chunjiang be removed from the Vice Chairman and executive director positions with effect from 7 January 2010 due to his alleged serious financial irregularities. So far as the Company is concerned, the Board has no disagreement with Mr. Zhang Chunjiang and saved as disclosed in the Company's announcements dated 27 December 2009, 31 December 2009 and 7 January 2010, there is no matter relating to the removal of Mr. Zhang Chunjiang that needs to be brought to the attention of the shareholders of the Company. The Company confirms that the removal will not have any material effect on the business and operations of the Group.

The Company and its directors (including non-executive directors) have not entered into any service contract with a specified length of service. All directors are subject to retirement by rotation and re-election at annual general meetings of the Company every three years. In 2010, the Company has received a confirmation of independence from each of the independent non-executive directors, namely Dr. LO Ka Shui, Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi, and considers them to be independent. The Company has also received acknowledgements from the directors of their responsibility for preparing the financial statements and a representation by the auditors of the Company about their reporting responsibilities.

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Board meetings are held at least once a quarter and as and when necessary. During the financial year ended 31 December 2009, the Board met on five occasions. Dr. LO Ka Shui, Mr. Frank WONG Kwong Shing, Dr. Moses CHENG Mo Chi, Mr. WANG Jianzhou, Mr. XUE Taohai, Madam XIN Fanfei, Mr. LIU Aili and Mr. XU Long attended all board meetings while Mr. LI Yue, Mr. SHA Yuejia and Mr. Nicholas Jonathan READ attended four board meetings, and Mr. LU Xiangdong and Madam HUANG Wenlin attended three board meetings. Mr. ZHANG Chunjiang (removed from his positions with effect from 7 January 2010) attended two board meetings.

The directors have disclosed to the Company the positions held by them in other listed public companies or organizations or associated companies, and the information regarding their directorships in other listed public companies in the last three years is set out in the biographies of directors and senior management on pages 7 to 11 of this annual report and on the Company's website.

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. Save and except for the interests disclosed in the report of the directors on pages 60 to 61 of this annual report, none of the directors had any other interest in the shares of the Company as at 31 December 2009. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2009 and 31 December 2009.

The Board currently has three principal board committees, which are the audit committee, the remuneration committee and the nomination committee, and all of which are comprised solely of independent non-executive directors. Each of the Board committees operates under its Terms of Reference. The Terms of Reference of each of the board committees are available on the Company's website and can be obtained from the Company Secretary by written request.

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Audit Committee

Membership

The current members of the Company's audit committee are Dr. LO Ka Shui (Chairman), Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi, who are all independent directors. All members of our audit committee have many years of finance and business management experience and expertise and appropriate professional qualifications.

Responsibilities

The audit committee's primary responsibilities include, among other things, making recommendation to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policies on the engagement of external auditors to provide non-audit services, monitoring the integrity of financial statements of the Company and the Company's reports and financial statements and overseeing the Company's financial reporting system and internal control procedures.

Work Done in 2009

In 2009, the audit committee met on four occasions where all members attended all meetings. Among other things, the audit committee:

- reviewed the Company's financial statements and results announcement for the year 2008, report of the directors and financial review for the year 2008;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2009;
- approved the budgets and remuneration of the external auditors;
- approved the 2009 project plan of the internal audit department and budget for external engagement;
- approved the Company's 2008 Annual Report on Form 20-F, which was filed with the U.S. Securities and Exchange Commission;
- approved the 2009 assessment report on the disclosure controls and procedures;
- Reviewed and approved the progress report in relation to the U.S. Sarbanes-Oxley Act of 2002 (the "SOX Act") Section 404 compliance project, and other summary reports on various special audit projects and the 2009 budget report on relevant support services expenses;
- reviewed the Company's compliance with relevant laws and regulations; and
- discussed various internal audit reports.

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Remuneration Committee

Membership

The current members of the Company's remuneration committee are Dr. LO Ka Shui (Chairman), Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi, who are all independent directors.

Responsibilities

The primary responsibilities of the remuneration committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance based remuneration, ensuring that no director or any of his or her associates is involved in deciding his or her own remuneration, and making recommendations to the Board on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans.

Work Done in 2009

In 2009, the remuneration committee met once and all members attended the meeting, during which the committee mainly reviewed and approved the 2008 performance-linked annual bonus.

Nomination Committee

Membership

The current members of the Company's nomination committee are Dr. LO Ka Shui (Chairman), Mr. Frank WONG Kwong Shing and Dr. Moses CHENG Mo Chi, who are all independent directors.

Responsibilities

The primary responsibilities of the nomination committee include, among other things, reviewing on a regular basis the structure, size and composition of the Board, identifying individuals suitably qualified to become board members, and assessing the independence of independent non-executive directors.

Work Done in 2009

In 2009, the nomination committee met once and all members attended the meeting. The committee approved the appointment of Mr. Nicholas Jonathan Read as a non-executive director.

Remuneration, Appointment and Rotation of Directors

At present, the cash portion of our senior management's remuneration consists of a fixed monthly salary and a performance-linked annual bonus. The award of the performance-linked annual bonus is tied to the attainment of key performance indicators or targets. In terms of long-term incentives, the Company has adopted a share option scheme. Depending on their ranking, members of the management are awarded different numbers of share options. The remuneration of non-executive directors is determined in part by reference to the prevailing market conditions and their workload of serving as non-executive directors and members of the board committees of the Company.

Currently, executive directors are mainly selected internally within the Group from executives who have considerable years of management experience and expertise in the telecommunications industry, whereas for the identification of independent non-executive directors, importance is attached to the individual's independence as well as his or her experience and expertise in finance and business management. The nomination committee, taking into consideration the requirements of the jurisdictions where the Company is listed and the structure and composition of the Board, identifies, reviews and nominates with diligence and care individuals suitably qualified as board members of the Company before making recommendations to the Board for their final appointment. For the nomination and appointment of Mr. Nicholas Jonathan READ, these criteria and procedures have been applied.

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All newly-appointed directors receive a comprehensive induction of directors' duties to make sure that they have a proper understanding of the operations and business of the Company, and that they are fully aware of their responsibilities as a director, the listing rules of the stock exchanges on which the Company is listed, applicable laws and regulations, and the operation and governance policies of the Company. All newly-appointed directors are subject to election by shareholders at the first general meeting after their appointment. Every director is subject to retirement by rotation and needs to stand for re-election at least once every three years.

Management

The task of the Company's management is to implement the strategy and direction as determined by the Board, and to take care of the day-to-day operations and functions of the Company. The division of responsibilities among our CEO and other members of the senior management is set out in the biographies of directors and senior management on pages 7 to 11 of this annual report and on the Company's website.

For the purpose of promoting honest and ethical conduct and deterring wrongdoing, the Company, in 2004, adopted a code of ethics, which is applicable to our Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, Assistant Chief Financial Officer and other designated senior officers of the Group, in accordance with the requirements of the SOX Act. Under the code of ethics, in the event of a breach of such code, the Company may take appropriate preventive or disciplinary actions after consultation with the Board. The code of ethics has been filed with the U.S. Securities and Exchange Commission as an exhibit to our Annual Report on Form 20-F for the financial year ended 31 December 2003, which may also be viewed and downloaded from the Company's website.

To prevent and penalize corruption and bribery, we developed an anti-corruption system and adopted an employee code of conduct and an employee handbook to put all employees under specific obligations as to the manner in which they should deal with issues such as integrity, code of ethics and conflicts of interest. During 2009, we continued to pay equal emphasis on education, system and supervision as well as prevention and penalty, with focus on

preventive measures. We held 44 training sessions with aggregating 2,046 disciplinary supervisory personnel attended.

Internal Audit

The internal audit department of the Company conducts independent, objective supervision and assessment, and provides consulting services, in respect of the appropriateness, compliance and effectiveness of the Company's operational activities and internal controls by applying systematic and standardized auditing procedures and methods, and assists the Company in improving the effectiveness of corporate governance, risk management and control process, with an aim to increasing its corporate value, improving its operations, promoting its sustainable and healthy development as well as contributing to the achievement of its strategic objectives.

The Company and its operating subsidiaries have set up internal audit departments, which independently audit the business units of the Company and its operating subsidiaries. The head of the internal audit department of the Company directly reports to the Audit Committee which, in turn, reports to the Board regularly. The internal audit departments have unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting their work.

The internal audit department of the Company establishes an internal audit scope and framework and carries out risk investigations on an annual basis. According to the results of the risk investigations, the internal audit department formulates an internal audit project rolling plan and an annual audit plan and, together with the Audit Committee, reviews and approves the annual audit plan and resources allocation. The annual audit plan of the internal audit department covers various areas, namely financial audit, internal control audit, risk assessment, audit investigation and consultancy services. For financial audit, the internal audit department audits and assesses the truthfulness, accuracy, compliance and efficiency of the Company's financial activities and financial information as well as the management and utilization of the Company's capital and assets. For internal control audit, the internal audit department audits and assesses the effectiveness in the design and implementation of the Company's internal

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control system. At the same time, the internal audit department evaluates and assesses the risk management and control in the Company's business processes and management mechanisms, and conducts special projects and investigations in response to requests from the Company's management or the Audit Committee or if otherwise required. In addition, without prejudice to its independence, if requested by the Company's management and as required by business needs, the internal audit department provides management advice or consultancy services by making use of audit resources and audit information to facilitate the Company's decision-making and operational management.

According to the requirements under Section 404 of the SOX Act, the internal audit department of the Company organizes and performs internal audit tests of the internal control over financial reporting of the Company, providing assurance for the Company's management in its issuance of the internal control assessment report.

The internal audit department makes improvement recommendations in respect of its findings in the course of the audits and requests the management to undertake and to confirm the implementation plan, the methods and the time. It regularly monitors the status of the implementation of the recommendations to ensure their completion.

In 2009, the internal audit department of the Company further strengthened the in-depth and professionalism of our internal audit and enhanced its supervision, assessment and service functions:

- took a risk awareness oriented approach in carrying out the audit work in close connection with new growth opportunities of the Company. Particularly, focus was given to auditing and evaluating the Company's IT risks and client information security control risks in order to improve client privacy protection;
- adopted the effective audit approach to make an objective assessment of the efficiency and effectiveness of the operational management of the Company with an aim to promoting the highly-efficient operation of the Company;
- further strengthened the in-depth and professionalism of our internal audit, and improved the capability and depth of identifying problems through the internal audit process by actively applying computer-aided auditing techniques and tools so as to enable the Company to reveal operational risks promptly;
- built and applied a unified internal audit information system to provide information support for our internal audit, its organization and management and improved efficiency, and further enhanced the uniformity and standardization of our internal audit;
- conducted risk evaluation on our seven core business processes and our management mechanism, and encouraged relevant business units to adopt appropriate risk control measures so as to improve our internal control risk framework, optimize our business processes and reduce the risks arising from operational management processes; and
- optimized the organization and management of internal tests for compliance with the SOX Act, strengthened the target and effectiveness of internal tests, placed emphasis on the key issues and areas of internal control over financial reporting, standardized test methods and samples, enhanced the effectiveness of the tests, and encouraged the business units to continue to improve internal control over financial reporting.

External Auditors

The Company engaged KPMG as statutory auditors of the Company. In 2009, the principal services provided by KPMG included:

- review of interim consolidated financial statements of the Group;
- audit of annual consolidated financial statements of the Group and annual financial statements of its subsidiaries; and
- audit of the effectiveness of the Company's internal control over financial reporting.

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Apart from providing the above-mentioned audit services to the Group, KPMG was also engaged in providing other non-audit services to the Group which were permitted under Section 404 of the SOX Act and pre-approved by the Audit Committee.

The following table sets forth the type of, and fees for, the principal audit services and non-audit services provided by KPMG to the Group (refer to note 5 to financial statements for details):

	2009	2008
	RMB million	RMB million
Audit fees ¹	80	76
Non-audit fees ²	9	3

¹ Including the fees rendered for the audit of internal control over financial reporting as required by SOX Act Section 404.

² Including the fees for SOX Act Section 404 advisory service and other advisory services.

Other Stakeholders

Good corporate governance practices require due concerns for the impact of our business decisions on our shareholders as well as other relevant parties such as customers, local communities, peers and regulatory authorities. The 2009 CSR report, which is issued together with this annual report, explains our philosophy on corporate social responsibility and our performance with respect to social and environmental management in 2009. This annual report and the CSR Report illustrate the Company's efforts and development in the areas of industry development, community advancement and environmental protection and also explain how we have fulfilled our obligations to employees, customers, environment, the local communities and other stakeholders.

In 2009, we focused on promoting our capability in maintaining sustainable growth and promoted the integration between CSR and our operation. We launched the China Mobile Sustainability Index System and completed the first overall evaluation of the sustainability capabilities of our 31 operating subsidiaries. We also completed the pilot work for the CSR risk management and set in motion the standards, principles, and best practices of social responsibility. All of these have been integrated into our business development and operational management. In

2009, CSR risk management regime has first been set up in 8 operating subsidiaries. It is anticipated that the nationwide setup of such regime will be completed by 2010. In addition, we launched the China Mobile CSR Electronic Information Platform in February 2009, which facilitated the monitoring of the CSR index and its implementation within the Group. We also implemented the two-level CSR Management Measures, which established the CSR management regime between the headquarters and our operating subsidiaries. In 2009, for the second consecutive years, we were recognized on the DJSI.

Internal Controls

The Board conducts regular reviews of the effectiveness of the Group's internal controls to reasonably ensure that the Company is operating legally and that the assets of the Company are safeguarded and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The scope of these reviews includes, among other things, business strategy, finance, operations, marketing and rules and regulations.

According to the provisions of Section 404 of the SOX Act, the Company's management is responsible for establishing and maintaining internal control over financial reporting. The Company completed its internal control evaluation based on the control criteria framework of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission titled Internal Control-Integrated Framework. We have continued our efforts to refine the routine management mechanism of internal controls and further strengthen a long-term effective and comprehensive risk management regime. Pursuant to external regulatory requirements and the development of businesses and internal management processes, the Company reviewed and evaluated the reasonableness and effectiveness of its internal control design. This refined and standardized the Company's internal control. Furthermore, the Company implemented the construction of management information system of internal control. Through this management information system, the Company is able to keep itself abreast of the status of internal control compliance in each business unit, enhance the efficiency, and hence reinforce the accountability of internal controls.

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Based on the evaluation conducted, the management believes that, as of 31 December 2009, the Company's internal control over financial reporting was effective and provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for reporting purposes in accordance with generally accepted accounting principles.

All disclosure of material information relating to the Company is made through the unified leadership and management of the Board, with the Company's management performing its relevant duties. The Company has performed an annual review of the effectiveness of the Company's disclosure controls and procedures, and concluded that, as of 31 December 2009, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

Summary of Significant Differences between the Corporate Governance Practices of the Company and the Corporate Governance Practices Required to be Followed by U.S. Companies under the NYSE's Listing Standards

As a foreign private issuer (as defined in Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended), we are permitted to follow home country practices in lieu of some of the corporate governance practices required to be followed by U.S. companies listed on the NYSE. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on the NYSE.

In accordance with the requirements of Section 303A.11 of the NYSE Listed Company Manual, the following is a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards.

Section 303A.01 of the NYSE Listed Company Manual provides that listed companies must have a majority of independent directors. As a listed company in Hong Kong, the Company is subject to the requirement under the Hong Kong Listing Rules that at least three members of its board of directors be independent as determined under the Hong

Kong Listing Rules. The Company currently has three independent directors out of a total of 13 directors. The Hong Kong Listing Rules set forth standards for establishing independence, which differ from those set forth in the NYSE Listed Company Manual.

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. The Company is not required, under the applicable Hong Kong law, to hold such executive sessions.

Section 303A.04 of the NYSE Listed Company Manual provides that the nominating/corporate governance committee of a listed company must have a written charter that addresses the committee's purpose and responsibilities, which include, among others, the development and recommendation of corporate governance guidelines to the listed company's board of directors. The Board is directly in charge of developing the Company's corporate governance guidelines.

Section 303A.07 of the NYSE Listed Company Manual provides that if an audit committee member simultaneously serves on the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve to three or less, then in each case, the board of directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee and disclose such determination. The Company is not required, under the applicable Hong Kong law, to make such determination.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. While the Company is not required, under the Hong Kong Listing Rules, to adopt such similar code, as required under the SOX Act, the Company has adopted a code of ethics that is applicable to the Company's principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions.

Section 303A.12(a) of the NYSE Listed Company Manual provides that each listed company's chief executive officer must certify to the NYSE each year that he or she is not

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aware of any violation by the company of NYSE corporate governance listing standards. The Company's Chief Executive Officer is not required, under the applicable Hong Kong law, to make similar certifications.

Continuous Evolvement of Corporate Governance

We will closely study the development of corporate governance practices among the world's leading corporations, future evolution of the relevant regulatory environment and the requirements of the investors on an on-going basis. We will also review and enhance our corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.