


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 integrity, transparency, openness and efficiency, and have implemented sound governance structure and measures. We have established and improved various policies, internal control system and other management mechanisms and procedure for the key participants involved in good corporate governance, including shareholders, board of directors and its committees, management and staff, internal auditors, external auditors and other stakeholders (including our customers, local communities, industry peers, regulatory authorities, etc.).

We believe that corporate governance goes hand in hand with corporate culture. High standard of

corporate governance is built on the basis of good corporate culture. Corporate governance principles and policies can only be applied effectively and consistently with a corporate culture that is premised on honesty and integrity. By upholding our core value of “Responsibility Makes Perfection”, we strive to achieve economic, social and environmental sustainability in a way that coordinates the present and the future while taking the interests of ourselves and our stakeholders into account.

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.

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COMPLIANCE WITH THE CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 December 2011, the Company has complied with all code provisions of the Code on Corporate Governance Practices as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

SHAREHOLDERS

The Company's controlling shareholder is CMHK (Group), which, as of 31 December 2011, indirectly held approximately 74.18% of the Company's share capital through a wholly-owned subsidiary, CMHK (BVI). The remaining share capital of approximately 25.82% was held by public investors. The Memorandum and Articles of Association of the Company is available on the websites of the Company and the Stock Exchange website.

The Company uses a number of formal channels to report to shareholders 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 the relevant regulatory requirements, the Company arranges investment analyst conferences, press conferences and investor telephone conferences to explain the relevant results or major transactions to the 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 net increase in 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 the questions

raised by shareholders. In 2011, we held our annual general meeting (the "AGM") on one occasion on 19 May 2011 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 2010 (99.9980%);
- the declaration of a final dividend for the year ended 31 December 2010 (99.9984%);
- the re-election of Mr. XUE Taohai, Madam HUANG Wenlin, Mr. XU Long, Dr. LO Ka Shui as directors (93.8112% to 99.7550%);
- the re-appointment of Messrs. KPMG as auditors and authorizing the Board to fix their remuneration (99.9791%).

All resolutions were duly passed at the AGM. There were no restrictions on any shareholder casting votes on any of the proposed resolutions at the AGM. Hong Kong Registrars Limited, the share registrar of the Company, acted as scrutineer for 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 AGM.

Other than annual general meetings, the Company would also hold extraordinary general meetings as and when required. In accordance with the Articles of Association of the Company, shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in section 115A of the Companies Ordinance.

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The following table sets out the key dates for our shareholders for the financial year ending 31 December 2012. We will notify shareholders as soon as possible when there is a change to the dates proposed.

FY 2012 SHAREHOLDERS' CALENDAR

15 March	Announcement of final results and final dividend for the financial year ended 31 December 2011
29 March	Upload of 2011 annual report on the websites of the Company and the HKEx
30 March	Despatch of 2011 annual reports to shareholders
16 May	2012 AGM
Early June	Payment of final dividend for the financial year ended 31 December 2011, if any
Mid-August	Announcement of interim results and interim dividend for the six months ending 30 June 2012, if any
End of September	Payment of interim dividend for the six months ending 30 June 2012, if any

THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The key responsibilities of the Board include, among others, formulating the Group's overall strategies, setting management targets, monitoring internal controls and financial management and supervising the performance of our management, while 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.

As at 15 March 2012, the Board comprises 12 directors, namely Mr. WANG Jianzhou (Chairman), Mr. XI Guohua (Vice Chairman), Mr. LI Yue, 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. In 2011, as proposed by the Nomination Committee of the Company and after review and approval by the Board, Mr. XI Guohua has been appointed as an executive director and the vice chairman of the Company with effect from 26 July 2011. The biographies of our directors are presented on pages 7 to 11 of this annual report and 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.

The Company and its directors (including independent 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 2012, 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 2011, the Board met on five occasions

and the directors' attendances at the meetings are as follows:

Directors	Number of meetings attended/ Number of meetings held			
	Board of directors	Audit committee	Remuneration committee	Nomination committee
Independent non-executive directors				
Dr. LO Ka Shui	5/5	5/5	2/2	1/1
Mr. Frank WONG Kwong Shing	5/5	5/5	2/2	1/1
Dr. Moses CHENG Mo Chi	4/5	4/5	2/2	1/1
Executive directors				
Mr. WANG Jianzhou (Chairman)	5/5	–	–	–
Mr. XI Guohua* (Vice Chairman)	2/2	–	–	–
Mr. LI Yue	4/5	–	–	–
Mr. LU Xiangdong**	5/5	–	–	–
Mr. XUE Taohai	5/5	–	–	–
Madam HUANG Wenlin	4/5	–	–	–
Mr. SHA Yuejia	3/5	–	–	–
Mr. LIU Aili	5/5	–	–	–
Madam XIN Fanfei	4/5	–	–	–
Mr. XU Long	4/5	–	–	–

* appointed as an executive director and the vice chairman of the Company with effect from 26 July 2011.

** resigned from the position as an executive director and a vice president of the Company with effect from 15 March 2012.

All board meetings and committee meetings were attended by the directors in person.

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 53

to 56 of this annual report, none of the directors had any other interest in the shares of the Company as of 31 December 2011. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2011 and 31 December 2011.

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 written terms of reference. The terms of reference of each of the board committees are available on the HKEx's and the Company's websites and can be obtained from the Company Secretary upon 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 non-executive 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 recommendations 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 financial statements of the Company and the completeness of the Company's reports and financial statements and overseeing the Company's financial reporting system and internal control procedures.

Work Done in 2011

In 2011, the Audit Committee met on five occasions and the attendance of each member is disclosed on page 41 of this annual report. Among other things, the Audit Committee:

- reviewed the Company's financial statements and results announcement for the financial year ended 31 December 2010, and the report of the directors and financial review for the financial year ended 31 December 2010;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2011;
- approved the budgets and remuneration of the external auditors;
- approved the 2011 project summary and plan of the internal audit department and budget for external engagement;
- approved the Company's 2010 annual report on Form 20-F, which was filed with the U.S. Securities and Exchange Commission;
- approved the assessment report on the disclosure controls and procedures;
- reviewed and approved the 2010 assessment report in relation to effectiveness of compliance with section 404 of the U.S. Sarbanes-Oxley Act of 2002 (the "SOX Act");
- approved the 2011 report on China Mobile financial reporting system;
- 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 non-executive directors.

Responsibilities

The primary responsibilities of the Remuneration Committee include, among others, 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 option plans.

Work Done in 2011

In 2011, the Remuneration Committee met twice, during which the committee reviewed and approved the 2010 performance-linked annual bonus and the remuneration structure of newly appointed directors.

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 non-executive directors.

Responsibilities

The primary responsibilities of the Nomination Committee include, among others, 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 2011

In 2011, the Nomination Committee met once, during which the committee approved the re-designation of directors.

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REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The Remuneration Committee is responsible for determining the remuneration packages of all executive directors and senior management. 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 correlated 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 as non-executive directors and members of the board committees of the Company. Please refer to note 9 to the financial statements on page 93 of this annual report for directors' and senior management's remuneration in 2011.

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 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. The nomination and appointment of Mr. XI Guohua has been conducted in accordance with the above standard and procedures.

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 re-election by shareholders at the first annual 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 AND EMPLOYEES

The task of the Company's management is to implement the strategy and direction as determined by the Board, and to take care of day-to-day operations and functions of the Company. The division of responsibilities among our chief executive officer 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.

Our management is required to adhere to certain business principles and ethics while performing management duties. For the purpose of promoting honest and ethical conducts and deterring wrongdoings, 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. In the event of a breach of the code of ethics, 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.

In the past two years, there were incidents of violations of laws and discipline by some management personnel of the Company. In handling these incidents, the Company had strictly complied with the requirements under the Hong Kong Listing Rules to make timely disclosures. The Company was highly concerned with the issues exposed by these incidents and attached great importance to its internal control system. The Company had further reviewed and refined the relevant systems and processes and implemented measures to improve the relevant management system with a view to preventing similar incidents from occurring in the future, including improving the decision-making system for major investments, strengthening management in respect of external cooperation on data business and procurement and refining the policy on utilization of large-amount funds.

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INTERNAL AUDIT

The internal audit department of the Company conducts independent and 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. The internal audit department also 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 performing their duties.

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 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 carries on special projects and investigations in response to requests from the Company's management or the Audit Committee or if otherwise required. According to the requirements under section 404 of the SOX Act, the internal audit department of the Company organizes and performs internal audit assessment on 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 timing. It regularly monitors the status of the implementation of the recommendations to ensure their completion.

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.

In 2011, the internal audit department made significant achievements and valuable contributions to the Company, and effectively discharged its supervisory, assessment and servicing responsibilities, including:

- strengthening the audit and evaluation of cooperative business risk management, marketing resources management and other areas by focusing on the main concerns of our current operation and management with a view to further enhancing our capability of refined management and risk prevention;
- made great efforts to discover problems by conducting audit and to correct and rectify certain high risk areas by making full use of the existing audit results with a view to achieving improvements of business procedure design, monitoring capabilities and corporate governance mechanism;

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- optimized the internal audit mechanism, improved the management process, extensively used advanced audit techniques to significantly improve our problem-spotting capability and summarized and promoted advanced auditing practices and experience to accelerate the transformation from local auditing to enhanced overall management; and
- improved the internal audit organization and management system continuously with a view to achieving the centralization, standardization and informationalization of internal audit, further developed the centralized management of our auditors and standardized the audit process and quality standard, strengthened the quality control and optimized the internal audit information system applications to enhance the level of audit informationalization.

EXTERNAL AUDITORS

The Company engaged KPMG as statutory auditors of the Company. In 2011, 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.

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 types of, and fees for, the principal audit services and non-audit services provided by KPMG to the Group (please refer to note 5 to financial statements for details):

	2011 RMB million	2010 RMB million
Audit fees ¹	84	83
Non-audit services fees ²	12	12

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

² Including the fees for tax services, section 404 of the SOX Act advisory services, risk assessment and other IT related advisory services.

OTHER STAKEHOLDERS

Good corporate governance practices require due attention to the impact of our business decisions on our shareholders as well as other relevant stakeholders such as customers, local communities, industry peers and regulatory authorities. Our sustainability report for the year of 2011 (the "Sustainability Report"), which is issued together with this annual report, highlights our philosophy of corporate social responsibility and our performance in the areas of social and environmental management in 2011. This annual report and the Sustainability Report illustrate our efforts and development in the areas of industry development, community advancement and environmental protection and also explain how we have fulfilled our obligations to our employees, customers, environment, local communities and other stakeholders.

In 2011, we focused on four key management tasks, namely, sustainability benchmarking management, evaluation of sustainability potential, sustainability practices competition and sustainability report preparation. In 2011, we continued to maintain world-

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class sustainability performance and were recognized on the DJSI for the fourth consecutive year, and were still the only company from Mainland China listed on the DJSI. Meanwhile, we also compared our sustainability development capacity with the best practices of global industry peers to identify how we could further improve our sustainability capability.

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.

According to the provisions under section 404 of the SOX Act, our management is responsible for establishing and maintaining internal control over financial reporting. We adopted the control criteria framework set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in establishing a stringent internal control system over financial reporting, refined the routine management mechanism of internal controls and effectively guarded against the risks of misstatement, omission and fraud in financial reporting. Meanwhile, pursuant to external regulatory requirements and the development of businesses and internal management processes, we reviewed the reasonableness and effectiveness of our internal control designs covering business strategy, finance, operations, marketing, legal compliance and other areas. We also established an internal control and risk management system framework which integrates internal control and risk management requirements, focusing on high risk areas and key controls of business operations. On the premise that the control requirements are not undermined, we focused on certain risk points in the major business

processes, removed some cumbersome and inefficient processes or control points, and combined the similar business processes, steps and operations to further improve the efficiency and effectiveness of internal control measures and to enhance the overall risk management and control capability. Furthermore, we actively promoted the application of management information system for 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 management efficiency, and hence reinforce the accountability of internal controls.

Based on the evaluation conducted by the management of the Company, the management believes that, as of 31 December 2011, 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 2011, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

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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 has 3 independent directors out of a total of 12 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 officers, principal financial officers, principal accounting officers 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 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 ongoing 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.