

Corporate Governance Structure

(1) Corporate Governance at the Company

With a view to safeguard the interests of the investing public, the Company has modified its corporate structure based on the Guidance on the Establishment of Independent Directorship in Listed Companies (the “Guidance”) and the Governance Standards for Listed Companies (the “Governance Standards”) issued by the CSRC, with an aim to establish a modernized corporate system and to improve corporate governance.

During the reporting period, the Company’s Board of Directors underwent a restructuring that resulted in the addition of two qualified independent directors, resulting in the total number of independent directors on the Company’s Board to four, being one third of the total number of Board members, which complies fully with the requirements laid down in the Guidance.

To further fine-tune the system, the Company has set up three special committees under the Board of Directors, namely, the Strategy Committee; the Nomination, Remuneration and Performance Review Committee; and the Audit Committee, and has revised the Company’s Articles of Association accordingly. During the reporting period, each of the Committees convened two meetings to consider and approve decisions on the Company’s project investments and on the auditing of the Company’s financial reports.

With reference to the Governance Standards, the Company has also formulated Rules of Proceedings for Shareholders’ General Meetings; Rules of Proceedings for Board of Directors Meetings; Rules of Proceedings for Supervisory Committee Meetings; Detailed Rules for the Operation of Independent Directors; Detailed Rules for the Operation of the Special Committees of the Board of Directors; Detailed Rules for the Operation of the Secretariat Office of the Board; Detailed Rules for the Office of General Manager; and the Financial Management Regulations, all of which serve to provide a set of regulatory frameworks and guidance for the operations of the various different areas, thereby ensuring all organs of the Company are functioning effectively and all decisions are made in a scientific manner.

During the reporting period, the Company conducted diligent and detailed internal investigations and rectifications and compiled internal investigation reports in respect of the independence of the Company, the development of the three committees, standardised operations and regulated conduct of the controlling shareholder, in accordance with the Notice on Inspection of Listed Companies’ Establishment of Modern Corporate Systems as required by the CSRC and the State’s Economic and Trade Commission.

(2) Performance of Duties by Independent Directors

The Company’s independent directors have faithfully performed their obligations to act in good faith and diligently in accordance with pertinent laws and regulations and the Articles of Association, safeguarding the overall interests of the Company with special emphasis on protecting the lawful interests of the minority shareholders from being prejudiced against. They furnished independent opinions on the Company’s connected transactions and significant matters in an independent capacity.

(3) Five Separations between the Company and its Controlling Shareholder

Based on the principles of “distinctive ownership, unequivocal delegation of authority and separation of political and corporate structures, and scientific management”, the Company and Communications Holdings, the controlling shareholder of the Company, are independent of each other in operations, assets, personnel, organisation and finance, and the relationship between the Company and the controlling shareholder is defined as purely in relation to ownership.



The Company and the controlling shareholder operate in different areas of business and do not relate to each other as upstream or downstream companies. The Company’s assets are strictly separated from the controlling shareholder’s assets and the Company has full ownership over its operating assets, the operation of which is entirely independent. No employees are holding concurrent positions in both companies. The Company has independent authority in labour affairs, personnel management and salary management. In the event that the controlling shareholder nominates directors and supervisors to the Company, it has to go through formalised, lawful procedure. There is no question of one team operating in two companies. Offices and venues of the two companies are physically separated. The two companies each have their own financial department with separate accounts. Financial decisions are made independently, and the Company’s fund application is free from any interference from the controlling shareholder.

(4) Code of Best Practice

Pursuant to paragraph 14 of the Code of Best Practice set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange, the Board of Directors of the Company has established an audit committee to review and supervise the Company’s financial reporting process and internal controls. The audit committee comprises three members, two of whom are independent directors.

None of the Directors are aware of the existence of any reasonable indications that the Company is not or has not been in compliance with the Code of Best Practice at any time during the current period.