

# CORPORATE GOVERNANCE

Maximising shareholder's value has been a priority of the Company since its listing. In 2003, we strictly complied with our corporate governance policy, and made sure that all decisions were based on trust, fairness, compliance and transparency, so as to protect the interest of all our shareholders.

To better serve our shareholders and to achieve good corporate governance standards, the Company has identified Board and committee members who are dedicated, professional and accountable. In addition, world-renowned professional external auditors were employed and internationally recognized figures were invited to serve on our international advisory board to further enhance our corporate governance standards.

## Board of directors

The Company's board of directors consists of eight members, four of them are independent non-executive directors. These four non-executive directors come from other areas outside of China, and are all professionals or scholars with backgrounds in legal, economics, financial and investment fields. They also have extensive experience and knowledge in corporate management, making significant contributions to the Company's strategic decisions. The diverse background of the board members ensures that they fully represent the interests of all our shareholders.

The board holds three regular annual meetings per year, and extraordinary meetings will be held if required. Events that require all board members to vote include conflict of interest on any matter that involves a major shareholder or a director, major asset acquisition or disposal, investments, capital expenditure items, determination of authority, treasury policy, risk management and important personnel changes to the management.

In 2003, Mr. Evert Henkes was appointed as a non-executive independent director of the Company. Mr. Jack So Chak Kwong on the other hand left the board following his appointment as Deputy Chairman and Group Managing Director of PCCW Limited. While we appreciated Mr. So's invaluable contributions to the Company, we believe that Mr. Henkes' extensive experience with Shell would help enhance our corporate governance standard.

During the year, the Company's independent directors attended all board meetings.

Besides the existing audit committee and remuneration committee, the Company has established a nomination committee to further strengthen its corporate governance structure.

## Audit Committee

The committee consists of two independent non-executive directors, with Dr Kenneth Courtis designated as the audit committee financial expert under the U.S. securities laws. The committee meets at least twice a year and is responsible for reviewing the completeness, accuracy and fairness of the Company's accounts, evaluating the Company's auditing scope and procedures, and evaluating internal control systems. The committee is also responsible for setting up internal monitoring systems so as to allow the Board to monitor the Company's entire financial position, protect the Company's assets, and prevent major errors resulting from financial reporting or loss. The Board is responsible for these systems and appropriate delegations and guidance have been made. In addition, the chairman of the audit committee will each year present a report to the Board describing the committees' major activities during the year.



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## Remuneration Committee

With three independent non-executive directors, the remuneration committee is responsible for reviewing information pertaining to all executives' salaries, bonuses, share options packages, performance appraisal systems and retirement plans.

## Nomination Committee

To establish proper procedures for the selection of the Company's leadership positions, upgrade the quality of board members and perfect the Company's corporate governance structure, the Company has established a nomination committee in accordance with related laws and requirements. Formed by an executive director and two independent non-executive directors, the committee's major authority and responsibilities are: to nominate and affirm directors candidates approved by the Board; to review the structure and composition of the board on a regular basis and to evaluate the leadership abilities of executive and non-executive directors to ensure the competitive position of the organization.

## Striving for better transparency and communication with investors

With a long-term strategy of being transparent, strengthening investor relations, and providing consistent, stable and extraordinary returns to shareholders, the Company actively ensures that information is transparent to our investors. We have established a professionally run investor relations department to serve as a communication channel



between the Company and its shareholders and investors, ensuring that timely information is received by them. Besides announcing its interim and annual results to shareholders and investors according to regulations, the Company also publicized its major business developments through press releases, announcements and the company website. The Company also distributed its material information and statistics on a timely basis. During the year, we have also revamped our website to enrich information content for investors.

## Code of Ethics

The board of directors has adopted a Code of Ethics on 28 August 2003 to provide guidelines to the senior management in legal and ethical matters as well as the sensitivities involved in reporting illegal and unethical matters. The Code of Ethics covers such areas as supervisory rules, insider trading, market malpractices, conflict of interests, company opportunities, protection and proper use of the Company's assets as well as reporting requirements for listed companies.

All our senior management members are required to familiarize and follow the code of ethics in the guide book to ensure that the Company's operations are honest and legal. Violations of the rules will be penalized and serious offences will result in dismissals.



### ATTENDANCE AT FULL BOARD MEETINGS IN 2003

Executive Directors	No. of meetings attended (3 meetings in total)
Wei Liucheng (resigned on 16 October 2003)	2
Fu Chengyu	3
Jiang Longsheng	3
Zhou Shouwei	3
Luo Han	2
Independent Non-executive Directors	
So Chak Kwong (resigned on 15 September 2003)	2
Chiu Sung Hong	3
Kenneth S. Curtis	3
Erwin Schurtenberger	3
Evert Henkes (appointed on 15 September 2003)	1

