

Strengthening corporate governance Enhancing corporate value Generating greater returns to shareholders

The Company has always focused on actively enhancing corporate value, with the 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 the generation of greater returns to our shareholders. We are also dedicated to implementing highly effective corporate governance, and 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 will also operate in a more orderly manner. These will, in turn, promote investor confidence in the Company. Since 2001, the Company further implemented a series of measures to enhance corporate governance. The Company's efforts and noteworthy achievements in these areas won popular recognition from various communities, 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.

Enhancing the Functioning of the Board and Augmenting the Role of the Independent Non-Executive 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 management performance. In 2001, the Company improved the board practices, including those relating to reporting and supervision. In addition, the Company has increased the number of independent non-executive directors to three directors and augmented their role in the functioning of the Board and the various board committees. Independent non-executive directors are appointed from among individuals whose objective judgements are not subject to the influence of the Company or its major shareholders. Furthermore, these individuals cannot assume any 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 in corporate governance.

To enhance corporate governance, the Company established two board committees, the audit committee and the remuneration committee, in 1998 and 2000, respectively. These committees are comprised solely of independent non-executive directors. In 2001, having considered the relevant rules on corporate governance and the Code of Best Practice of the Listing Rules of the London Stock Exchange, the Company established the nomination committee. The nomination committee is comprised primarily of independent non-executive directors, to ensure that proper and transparent

procedures are followed in relation to the appointment and re-appointment of directors. In addition, the terms of reference of the remuneration committee have also been updated.

Audit Committee

The audit committee is responsible for reviewing 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 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

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 2001, the remuneration committee reviewed and endorsed the Group's reform proposal of employee positioning, remuneration and performance evaluation, as well

as grants of share options to the executive directors.

Nomination Committee

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.

Strengthen Internal Controls and Internal Audit

To protect its assets and to ensure the accuracy and reliability of the financial information that the Company uses internally 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 2001, the Company completed the assessment of its subsidiaries' internal controls relative to areas of perceived potential risk in respect of the subsidiaries' corporate structures and business processes. Furthermore, the Company commenced internal audit of the various corporate structures and business processes according to their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the achievability of its corporate objectives and strategies. The head of internal audit submits working reports and recommendations on a regular basis to the audit committee which, in turn, reports regularly to the Board.

Enhancing Corporate Transparency and Investor Communications

The Company reports its financial position to shareholders and investors on a semi-annual and annual basis in accordance with the relevant regulatory requirements. The Company also, from time to time, informs the market in a timely fashion of the latest significant developments of the Company via press releases, announcements and publications on its web-site. In addition, the Company has set up an Investor Relations Department which focuses on serving the information needs of our shareholders and investors. 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 position, the Company implemented the practice of making quarterly disclosure of certain key unaudited operational data. The Company also regularly updates the "Frequently Asked Questions" forum on its 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 own web-site the important enquiries of investors and the news media, together with the Company's responses.

Supplementing its regular meetings with securities analysts and investors, the Company also hosted two large-scale on-site meetings in 2001 to enable investors to inspect the actual operations of some of the Group's operating subsidiaries. Investors were also able to 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 assist investors in better understanding the development of the Group's business and the overall telecommunications industry in China.

