

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining sound corporate governance standards and procedures to ensure the completeness, transparency and quality of its information disclosure, and strives to achieve more standardized operational procedures and effective management, so as to safeguard shareholders' interests to the greatest extent.

### CORPORATE GOVERNANCE PRACTICES

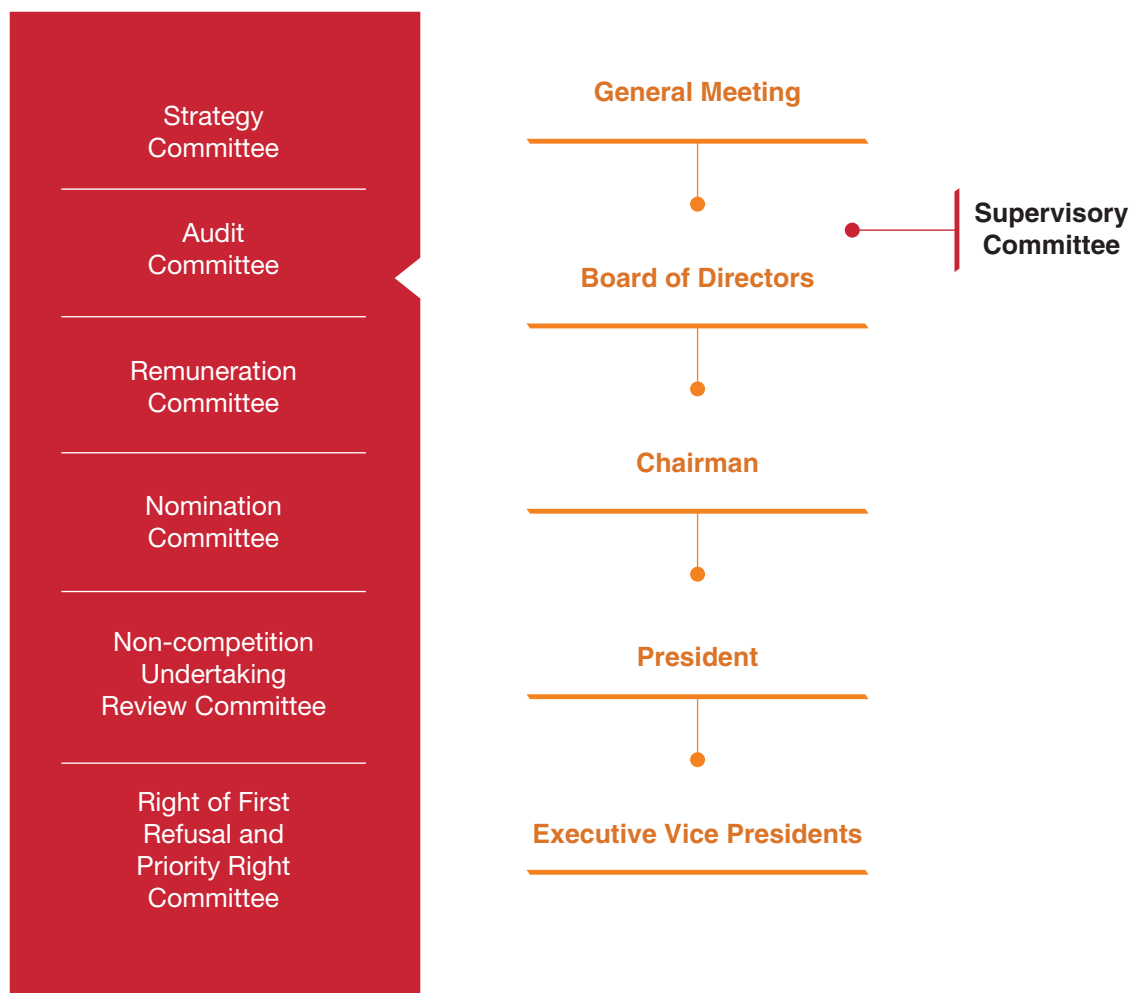
As a joint stock limited company incorporated in the PRC with limited liability and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has not only complied with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), but also abided by the Company Law of the People's Republic of China ("PRC Company Law") and other applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as basic guidelines for the Company's corporate governance. While strictly complying with relevant laws and regulations and also referencing good corporate governance practices, the Group is continually striving to further strengthen its internal control and risk management systems in order to improve its corporate governance standards and transparency.

The Company has been recognized by the capital market for its sound corporate governance over the years. In 2022, the Company continued to receive accolades in respect of its corporate management and ESG performance by international institutions such as *FORTUNE*, *The Asset* and *Corporate Governance Asia*.

The Board is responsible for performing corporate governance duties, including developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management as well as the Company's policies and practices in compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board believes that the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

## CORPORATE STRUCTURE OF THE COMPANY



## CORPORATE GOVERNANCE REPORT

## GENERAL MEETING

Pursuant to the Company's Articles of Association, the general meetings are classified as annual general meeting (the "AGM") and extraordinary general meeting (the "EGM"). The AGM is convened once a year and within six months after the end of a financial year. A resolution will be proposed for consideration in respect of each independent matter. The details of the voting procedures will be set out in the notices of the general meetings in accordance with the provisions of the Articles of Association and the Listing Rules. In accordance with the relevant provisions of the Listing Rules and the PRC Company Law, notices and circulars of general meetings are given to shareholders promptly, providing shareholders sufficient notice and time to consider the matters to be considered at the meeting, with details of the voting procedures set out in the notices of the general meetings. The Chairman of the Company should attend and chair the general meetings, and all the directors of the Company (in particular, the chairman of the committees of the Board) shall be invited to attend the general meetings to address any questions that may be raised by the shareholders at the general meetings. In addition, the Company has formulated the Rules of Procedure for the General Meeting which sets out the appropriate arrangements for convening, shareholders' proposing, attending and voting at the general meetings. In accordance with the Listing Rules, all the resolutions were voted by poll in the general meetings held in 2022.

For the 2022 EGM, a physical meeting was held in Beijing on 25 February 2022, at which the resolutions, including the appointment of director and supervisor, adoption of the Rules of Procedure for the General Meeting and the Rules of Procedure for the Board and amendments to the Articles of Association were considered and approved. Shareholders and authorized proxies representing 84.54% of the total voting shares of the Company were present at the EGM, and the percentage of votes cast in favor of each resolution was over 80%.

For the 2021 AGM, a physical meeting was held in Beijing on 17 June 2022, at which the resolutions, including the 2021 financial statements, profit distribution and dividend declaration proposal, reappointment of auditors, report of the directors, report of the supervisory committee, re-election of the Board and the Supervisory Committee as well as the amendments to the Rules of Procedure for the Supervisory Committee, were considered and approved. Shareholders and authorized proxies representing 84.89% of the total voting shares of the Company were present at the AGM, and the percentage of votes cast in favour of each resolution was over 80%.

The above resolutions at the general meetings were approved and passed by shareholders, and details of the relevant poll results were published on the websites of the Company and "HKExnews" of the Stock Exchange.

## SHAREHOLDERS' RIGHTS TO CONVENE GENERAL MEETINGS AND SUBMIT PROPOSALS AT GENERAL MEETINGS

Pursuant to Article 8.24 of the Company's Articles of Association, shareholders who request for convening an EGM or a class meeting shall comply with the following procedures:

- (1) Two (2) or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign one (1) or more counterpart requisition(s) stating the object of the meeting and requiring the Board to convene an extraordinary general meeting or a class meeting thereof. The Board shall as soon as possible proceed to convene an extraordinary general meeting or a class meeting thereof after receipt of such requisition(s). The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition(s).
- (2) If the Board fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of the requisition(s), the requisitionists may themselves convene such a meeting (in a manner as similar as possible to the manner in which general meetings are convened by the Board) within four (4) months from the date of receipt of the requisition(s) by the Board.

Pursuant to Article 8.6 of the Company's Articles of Association, when the Company convenes a general meeting, shareholder(s) holding 3% or more of the total voting shares of the Company shall have the right to submit new proposals in writing, and the Company shall place such proposals on the agenda for such general meeting if they are matters falling within the functions and powers of shareholders in general meetings.

## SHAREHOLDERS' ENQUIRIES

Enquiries or requisitions to convene a general meeting or submit a proposal pursuant to the Articles of Association of the Company that the shareholders of the Company wish to make to the Board may be addressed to the Investor Relations Department of the Company by our shareholders' hotline at 852-3699 0000 or by email at [ir@chinaccs.com.hk](mailto:ir@chinaccs.com.hk).

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has formulated the shareholders communication policy and has regularly reviewed on this. Such policy regulates the Company's various routine and non-routine daily communication channels with shareholders, including general meeting(s), roadshows and daily meetings. The above arrangements enable shareholders and investors to keep abreast of the latest operating status and development prospects of the Company. In addition, the Company has set up a public email for investor relations to facilitate the communications and feedback from investors, allowing the Company to collect different opinions from the market in an effective and timely manner. The details of the communication with the shareholders including information on the shareholders' calendar of significant events and the public shareholding percentages, are set out in the section of "Investor Relations" of this annual report and the website of the Company. The dividend policy of the Company is set out in the section of "Report of the Directors" of this annual report. Based on the communications between the Company and the shareholders and investors as well as the feedback received during the year, the Board considers that the shareholder communication policy of the Company has been properly implemented and effective during the year.

## BOARD OF DIRECTORS

The Board is responsible for leading and supervising the Company, and performing the duties of formulating strategies, making decisions and preventing risks, as well as implementing the resolutions passed in general meetings. The major responsibilities of the Board include making decisions on the medium and long-term development of the enterprise, formulating the Company's strategies and development plans, determining the Company's business plans and investment proposal, reviewing financial policies and performance, formulating the basic management systems of the Company, formulating the appraisal and compensation administrative measures of the management and determining their remuneration, rewards and penalties as well as conducting performance appraisal. The Board has delegated to the senior management the powers and responsibilities to conduct the day-to-day management and operations of the Group and to organize the implementation of the resolutions of the Board, annual business plans and investment proposals. The senior management must obtain the Board's approval before entering into any material transactions in accordance with the relevant provisions of the Articles of Association. The Articles of Association and the Rules of Procedure for the Board have clearly defined the scope of duties of the Board and the management of the Company.

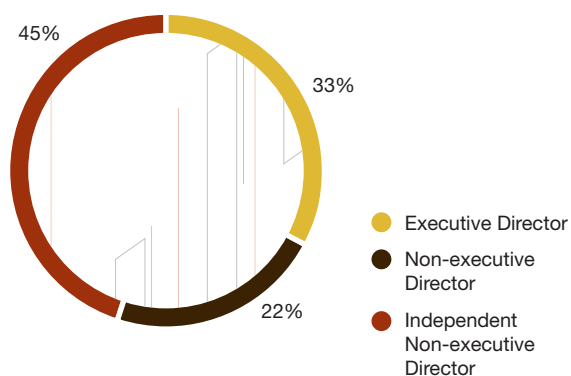
## CHAIRMAN AND PRESIDENT

Mr. Liu Guiqing and Mr. Yan Dong take up the position of Chairman and President of the Company, respectively. Mr. Liu Guiqing, our Chairman, is responsible for overseeing the operation of the Board and in charge of the Company's overall management. Mr. Yan Dong, our President, is responsible for the Company's daily operation and management.

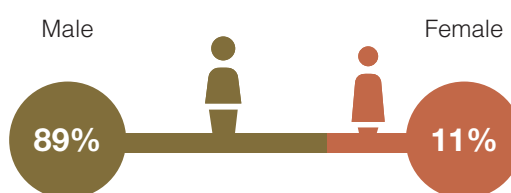
## COMPOSITION OF THE BOARD AND DIVERSITY POLICY

As of the date of this report, the Board comprised nine directors, including three executive directors (Mr. Liu Guiqing, Mr. Yan Dong and Ms. Zhang Xu), two non-executive directors (Mr. Gao Tongqing and Mr. Huang Zhen) and four independent non-executive directors (Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wang Qi and Mr. Wang Chunghe).

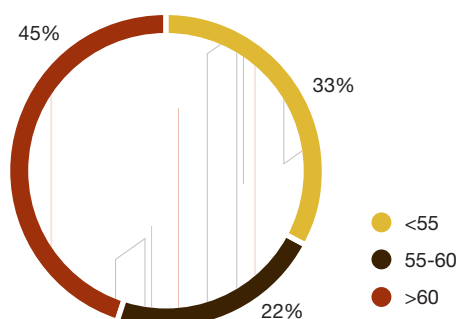
### COMPOSITION



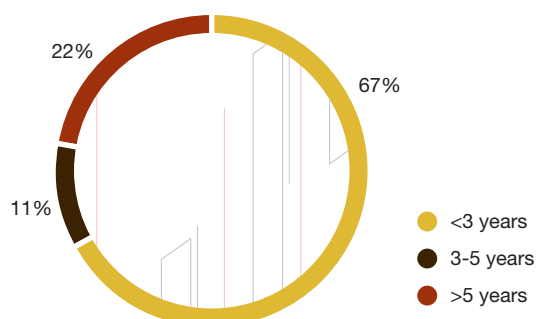
### GENDER



### AGE GROUP



### YEARS OF SERVICES IN THE BOARD



The Company has adopted a board diversity policy, which sets out the approach to achieve diversity on the Board. The Company's board diversity policy gives a number of considerations in aspects including skill, knowledge, professional experience, gender and age. The Board of the Company comprises professionals with diversified backgrounds including telecommunications industry, technology, finance and accounting, compliance, management and academics. The Company has one female director on the Board and complies with its board diversity policy. The Company will continue to maintain gender diversity on the Board and the Nomination Committee will proactively consider the increase in the proportion of female members when selecting and making recommendations on suitable candidates for Board membership. Through the board diversity policy of the Company and the annual assessment by Nomination Committee on the board structure, the Company will develop a pipeline of potential successors to the Board which could achieve gender diversity. The Board has four independent non-executive directors, of which an independent non-executive director Mr. Siu Wai Keung, Francis possesses accounting professional qualification in compliance with Rules 3.10 and 3.10A of Chapter 3 of the Listing Rules. The profiles of the directors are set out in the "Profiles of Directors, Supervisors and Senior Management" section of this annual report and the Company's website.

The Company's human resources work focuses on coordinating the reform of the labor, personnel and distribution systems, giving full play to the decisive role of the market in resource allocation, fully implementing the tenure system and contractual management of the managerial staff, promoting market-oriented labor employment, strengthening the construction of the cadres, talents and employees, continuously optimizing the planning and structure of the team. We have established a market-oriented recruitment mechanism, improved the market-oriented operation mechanism and incentive and constraint mechanism, improved the standard and efficiency of human resources management, and provided solid organizational support and talent support for the sustainable and healthy development of the Company. The Company takes into full consideration of skills, age and gender diversity when recruiting its employees, and based on business development and operational needs and a comprehensive consideration of various factors, strives to achieve a balanced proportion of our employees in skills, age and gender. Information on the Company's workforce and gender ratio in 2022 is set out in the "Environment, Society and Governance" section of this annual report.

As of the date of this report, to the best knowledge of the directors, the members of the Board did not have any financial, business, family or other material connection with each other, in particular between the Chairman and the President, and all of them are free to make independent judgments.

The Company has received the written annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive directors to be independent.

The Company has also arranged appropriate insurance cover in respect of possible legal actions against its directors, supervisors and senior management.

Directors devoted sufficient time and efforts to the business of the Company. The Company also requires the directors to disclose the number of key positions they hold in public companies or organizations and provide the Company with the time they devoted to the relevant positions.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to govern securities transactions by the directors and supervisors of the Company. The Company has made specific enquiries to the directors and supervisors, and each of the directors and supervisors has confirmed his/her compliance with the Model Code in connection with the transactions of the Company's securities in the reporting period.

## NOMINATION AND APPOINTMENT OF DIRECTORS

The Company follows a formal, considered and transparent procedure for the appointments of new directors. The Nomination Committee of the Board first considers and discusses the nomination and appointment of a new director, and also makes recommendations to the Board for decision based on the board diversity policy. The Board shall recommend the candidate(s) at the general meeting and the candidate(s) shall be elected at the general meeting each for a term of three years (including non-executive directors), effective from the date of election.

If an independent non-executive director serves more than 9 years in the Company, the further appointment of such director should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes the independent non-executive director is still independent and should be re-elected, including the factors taken into account, the process and the discussions conducted by the Board in making such decision. After obtaining the authorization at the general meeting, the Board will determine the remuneration of each of the directors with reference to factors including their duties and responsibilities with the Company, their experiences and the current market conditions.

Among the board members, except for Mr. Mai Yanzhou who resigned as a non-executive director of the Company on 30 May 2022, and Mr. Wu Taishi and Mr. Liu Linfei, who retired as independent non-executive directors of the Company, Mr. Huang Xiaoqing (then executive director), Ms. Zhang Xu (an executive director), Mr. Gao Tongqing (a non-executive director), Mr. Huang Zhen (a non-executive director), Mr. Siu Wai Keung, Francis (an independent non-executive director) and Mr. Lv Tingjie (an independent non-executive director) of the fifth session of the Board were re-elected as directors of the sixth session of the Board at the AGM held on 17 June 2022. Besides, Mr. Liu Guiqing was newly appointed as executive director, Mr. Wang Qi and Mr. Wang Chungu were newly appointed as independent non-executive directors of the Company. The directors of the Company are all eligible for re-election at the expiration of the term.

## MEETINGS OF THE BOARD

Pursuant to the Company's Articles of Association and the Listing Rules, the Board shall convene at least four meetings a year. In addition, the Company has formulated the Rules of Procedure for the Board to define the relevant arrangements of the Company on matters such as the convening of board meetings, the delivery of notices and materials of meetings, and the manner of participation and voting by directors.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. Unless stipulated otherwise by the Board in advance, the time and place for any Board meeting shall be notified to all directors at least 14 days prior to the date of the meeting. The agenda and related documents of the Board meetings will be dispatched to all directors at least 3 days prior to the date of the meeting. The Board and each of the directors may contact the senior management independently if necessary and obtain additional information from the Company so that the directors can make informed decisions with relevant information. In addition, prior to the board meeting, the Company will obtain the advice and opinions from the directors on significant issues to ensure that the Board is provided with independent views and opinions. The Company conducts an annual review of the implementation and effectiveness of these mechanisms.

All minutes of the Board meetings record the details of resolutions considered and decisions made, and are kept by meeting secretary and open for inspection by the directors. A director shall abstain from voting on any board resolution approving any proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum present at the meeting. In 2022, the Board held seven meetings and passed one written resolution. In addition to general matters such as review of the annual and interim financial statements, dividend distribution, Corporate Governance Report, ESG Report and budget, the Board also considered other resolutions, mainly including the amendments of the Articles of Association, restructuring and optimizing the human resources division at the headquarter, re-election of the Board and reviewing the structure and composition of the Board, the composition of committees of the Board, the further implementation of the duties and powers of the Board, optimization of the organizational structure of the headquarters, the implementation plan for the remuneration of the Board, the outline of the 14th Five-Year Plan and the targets of the 2022-2024 rolling plan, the professional integration of the property management companies, and the amendments of the Charter of the Nomination Committee and the Charter of Remuneration Committee, etc. Meanwhile, in terms of on the agenda of approving director remuneration, relevant directors with conflicts of interests on their own remuneration also abstained from voting on relevant matters.

In 2022, the Chairman of the Company had a meeting with the independent non-executive directors without the presence of other directors.

The attendance record of the Company's directors in Board meetings, board committee meetings and general meeting(s) in 2022 were as follows:

	Attendance in 2022/Meeting convened during period of appointment							AGM	EGM
	Board of Directors	Strategy Committee	Audit Committee	Remuneration Committee	Nomination Committee	Non-competition Undertaking Review Committee			
Executive Directors									
Liu Guiqing <sup>(1)</sup>	4/4	1/1	–	–	–	–	–	–	
Yan Dong <sup>(2)</sup>	–	–	–	–	–	–	–	–	
Zhang Xu	7/7	–	–	–	–	–	1/1	1/1	
Non-executive Directors									
Gao Tongqing	7/7 <sup>(10)</sup>	1/1	–	–	–	–	0/1	0/1	
Huang Zhen <sup>(3)</sup>	6/6 <sup>(11)</sup>	1/1	–	–	–	–	1/1	–	
Independent Non-executive Directors									
Siu Wai Keung, Francis	7/7	–	2/2	1/1	–	2/2	1/1	1/1	
Lv Tingjie	7/7 <sup>(12)</sup>	1/1	2/2 <sup>(12)</sup>	1/1	1/1	2/2	1/1	1/1	
Wang Qi <sup>(4)</sup>	4/4	1/1	–	1/1	–	–	–	–	
Wang Chung <sup>(5)</sup>	4/4	–	1/1	–	–	1/1	–	–	
Resigned Directors									
Huang Xiaoping <sup>(6)</sup>	7/7	1/1	–	–	–	–	1/1	1/1	
Mai Yanzhou <sup>(7)</sup>	3/3 <sup>(13)</sup>	–	–	–	–	–	–	0/1	
Wu Taishi <sup>(8)</sup>	3/3	–	–	–	1/1	–	1/1	1/1	
Liu Linfei <sup>(9)</sup>	3/3	–	1/1	–	1/1	1/1	1/1	1/1	

Notes:

1. Mr. Liu Guiqing was appointed as an executive director and the Chairman of the Company with effect from 17 June 2022.
2. Mr. Yan Dong was appointed as an executive director of the Company with effect from 10 February 2023.
3. Mr. Huang Zhen was appointed as a non-executive director of the Company with effect from 25 February 2022.
4. Mr. Wang Qi was appointed as an independent non-executive director of the Company with effect from 17 June 2022.
5. Mr. Wang Chung was appointed as an independent non-executive director of the Company with effect from 17 June 2022.
6. Mr. Huang Xiaoqing resigned as an executive director of the Company on 10 February 2023.
7. Mr. Mai Yanzhou resigned as a non-executive director of the Company on 30 May 2022.
8. Mr. Wu Taishi resigned as an independent non-executive director of the Company on 17 June 2022.
9. Mr. Liu Linfei resigned as an independent non-executive director of the Company on 17 June 2022.
10. Mr. Gao Tongqing appointed another director to attend four meetings.
11. Mr. Huang Zhen appointed another director to attend three meetings.
12. Mr. Lv Tingjie appointed another director to attend one meeting of the Board and appointed another director to attend one meeting of the Audit Committee.
13. Mr. Mai Yanzhou appointed another director to attend three meetings.



## CORPORATE GOVERNANCE REPORT

## DIRECTOR'S TRAINING

Newly appointed directors will receive trainings provided by the Company upon the appointment, so as to ensure that they have adequate understanding of the Company's business and they are fully aware of their duties as directors under the laws and regulations. The Company engaged external lawyers to provide the new directors appointed during the reporting period with trainings on issues including directors' duties and the Listing Rules.

The Company distributed board memorandum to directors each month, setting out updates on major business and financial position of the Company to facilitate the directors to discharge their duties. In addition, the Company also issued latest information regarding corporate governance, anti-corruption and directors' responsibilities under the Listing Rules and other applicable laws and regulations to the directors in a timely manner, ensuring their awareness of their responsibilities under the laws and regulations. All the directors were also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant.

In 2022, the training records of the directors of the Company were as follows:

	Attend training or seminar relevant to the Company's industry, director's duties and/or corporate governance	Read information relevant to the Company's industry, director's duties and/or corporate governance; or read regular updates issued by the Company
<b>Executive Directors</b>		
Liu Guiqing	✓	✓
Zhang Xu	✓	✓
<b>Non-executive Directors</b>		
Gao Tongqing	✓	✓
Huang Zhen	✓	✓
<b>Independent Non-executive Directors</b>		
Siu Wai Keung, Francis	✓	✓
Lv Tingjie	✓	✓
Wang Qi	✓	✓
Wang Chungue	✓	✓

Note: One of the current Executive Directors of the Company, Mr. Yan Dong, was appointed on 10 February 2023, and therefore he is not listed in the table above.

## BOARD COMMITTEES

As an important part of a sound corporate governance practice, the Board has set up five board committees since the listing of the Company: the Audit Committee, the Remuneration Committee, the Nomination Committee, the Non-competition Undertaking Review Committee and the Right of First Refusal and Priority Right Committee, and all of which are responsible for the supervision of the overall affairs of the Company in various areas and assistance of discharging its responsibilities. Except for the Chairman of the Nomination Committee, members of all these five board committees comprise of independent non-executive directors to ensure full expression of independent and objective views and to fulfill each of its responsibilities of review and supervision. In August 2019, the Company newly set up a Strategy Committee to further enhance its corporate governance. The list of members of each committee is published on the websites of the Company and the Stock Exchange.

### Strategy Committee

The Strategy Committee is chaired by the Chairman of the Company and consists of six directors, including Mr. Liu Guiqing and Mr. Yan Dong, the executive directors, Mr. Gao Tongqing and Mr. Huang Zhen, the non-executive directors and Mr. Lv Tingjie and Mr. Wang Qi, the independent non-executive directors. The Strategy Committee is mainly responsible for studying and making recommendations on the mid-to-long-term plan for development strategy, operating objectives and development direction of the Group.

In 2022, the Strategy Committee held one meeting, and mainly reviewed the resolutions of the outline of the 14th Five-Year Plan and the targets of the 2022-2024 rolling plan.

### Audit Committee

The Audit Committee consists of three independent non-executive directors: Mr. Siu Wai Keung, Francis (Chairman), who has accounting or related financial management expertise, Mr. Lv Tingjie and Mr. Wang Chung. The Audit Committee is mainly responsible for reviewing the interim and annual financial statements of the Company to ensure a true and fair view of the state of affairs, reviewing interim and annual results of the Company after consulting with external auditors, and making recommendations to the Board. In addition, the Audit Committee is also responsible for examining the appointment of external auditors, considering and supervising the financial reporting procedures and the risk management and internal control systems of the Company, reviewing the effectiveness of the internal audit of the company, overseeing the execution of the connected transactions, and also listening to the external auditor's audit memorandum. The Audit Committee makes an assessment of the effectiveness of the Group's risk management (including environmental, social and governance risks) and internal control at least once a year. In addition, the Audit Committee is also responsible for reviewing the adequacy of resources of the Group's accounting and financial reporting function. Audit Committee could establish a reporting mechanism to accept and handle the complaints and anonymous reporting on accounting, internal control and auditing matters.

In 2022, the Audit Committee held two meetings, and mainly reviewed the resolutions of the audited financial report of the Company of 2021, interim report of 2022, report on connected transactions, report on internal control and risk management and appointment of independent auditors. The Audit Committee also met with the external auditors separately to discuss the matters found during the audit and other issues that might be raised by the auditors.

## Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors: Mr. Wang Qi (Chairman), Mr. Siu Wai Keung, Francis and Mr. Lv Tingjie. The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remunerations of all directors and senior management, on the establishment of a formal and transparent procedure for developing remuneration policy, the remuneration packages of directors and evaluating the performance of senior management and conducting their performance assessment, etc.

After being authorized by the shareholders at the general meeting, the Board will determine the remuneration for each director based on their duties, responsibilities, experience, and current market conditions. In addition, the Company has established a series of management measures as the basis for determining the compensation of senior management, which include the following four measures: the selection and appointment of management, performance appraisal of members of the management, remuneration management for members of the management and total salary.

In 2022, the Remuneration Committee held one meeting and passed one written resolution, and mainly reviewed the resolution regarding the implementation of the duties and powers of the Board to establish four human resources measures, the implementation plan for the remuneration of the Board and the amendments of the Charter of Remuneration Committee.

## Nomination Committee

The Nomination Committee consists of one executive director and two independent non-executive directors: Mr. Liu Guiqing (Chairman), Mr. Lv Tingjie and Mr. Wang Qi. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, reviewing the structure, size and composition of the Board annually, identifying individuals suitably qualified to become Board members or senior management and selecting and nominate relevant individuals for directorships or senior officers, or making recommendations to the Board on the selection of individuals nominated for directorships or senior officers. The Nomination Committee will review the Board Diversity Policy annually to ensure its effectiveness, and the details of the board diversity policy has been set out under "Composition of the Board and Diversity Policy" of this section.

In 2022, the Nomination Committee held one meeting and passed one written resolution, and mainly reviewed the resolution regarding the re-election of the Board, reviewing the structure and composition of the Board, and the amendments of the Charter of the Nomination Committee. The Nomination Committee considered that the candidates of the sixth session of the Board possess extensive experience in multiple areas, including telecommunications industry, technology, finance and accounting, management and legal, etc. Their expertise and knowledge in different areas are strongly complementary to each other and are conducive to the scientific decision-making of the Board. At the same time, they also have diverse characteristics in terms of gender, age, cultural and educational background, and length of services, which was in alignment with the Board's diversity policy, so Nomination Committee recommended nominating these candidates to serve as directors.

### Non-Competition Undertaking Review Committee

The Non-competition Undertaking Review Committee consists of three independent non-executive directors: Mr. Lv Tingjie (Chairman), Mr. Siu Wai Keung, Francis and Mr. Wang Chung. The Non-competition Undertaking Review Committee is mainly responsible for monitoring the implementation of the non-competition undertakings given by China Telecom to the Company.

In 2022, the Non-competition Undertaking Review Committee held two meetings, and mainly reviewed the implementation of the non-competition undertakings by China Telecom, and made their recommendations to the Board.

The Company has received a letter issued to the Company by China Telecom stating that they were not in breach of any non-competition undertakings in 2022. The letter has been reviewed by the Non-competition Undertaking Review Committee and the Board.

### Right of First Refusal and Priority Right Committee

The Right of First Refusal and Priority Right Committee consists of three independent non-executive directors: Mr. Wang Chung (Chairman), Mr. Siu Wai Keung, Francis and Mr. Wang Qi. The Right of First Refusal and Priority Right Committee is mainly responsible for monitoring the enforcement of the right of first refusal and priority right granted by China Telecom since the Company was listed and protecting the interests of independent shareholders when such right of first refusal or priority right is exercised. Meeting(s) are held when necessary according to the Right of First Refusal and Priority Right Committee Charter. In 2022, the Right of First Refusal and Priority Right Committee did not hold any meeting.

### Independent Board Committee

Pursuant to the relevant requirements under the Listing Rules, a listed company shall establish an Independent Board Committee (which shall consist only of independent non-executive directors) to advise independent shareholders in relation to transactions that are subject to independent shareholder's approval (such as connected transactions) as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in the interests of the Company and its shareholders as a whole. In 2022, the Independent Board Committee did not hold any meeting.

## SUPERVISORY COMMITTEE

The Company established a Supervisory Committee pursuant to the PRC Company Law. The Supervisory Committee consists of three female members: Ms. Ye Lichun (the chairperson), Ms. Cai Manli (an independent supervisor) and Ms. Liu Lian (the employee representative supervisor). The term of service of the supervisors are three years, commencing from the AGM on 17 June 2022 approving the sixth session of the Supervisory Committee. The supervisors may serve consecutive terms if re-elected upon the expiry of their terms of service. The Supervisory Committee is a standing supervisory institution of the Company and is accountable and reports to all the shareholders. The Supervisory Committee normally meets at least twice a year.

The primary duties of the Supervisory Committee are to supervise the financial activities of the Group, to review the financial statements and other financial information prepared and presented by the Board at the general meeting(s); to supervise the performance of duties of the directors and other senior management; to prevent them from abusing power; and to deal with the directors or to initiate legal actions against the directors on behalf of the Company. In 2022, the Supervisory Committee held five meetings, details of which are set out in the "Report of the Supervisory Committee" of this annual report.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to further improve corporate governance, the Company made certain amendments to the Articles of Association in accordance with the relevant provisions in the PRC Company Law, the Administrative Measures for the Formulation of Articles of Association of State-owned Enterprises and other relevant rules and regulations. Besides, due to the changes in the shareholding structure of the Company, the Company also made amendments to the relevant provisions in the Articles of Association. At the 2022 EGM held on 25 February 2022, the shareholders of the Company approved the amendments to the Articles of Association. The amended Articles of Association were published on the websites of the Company and “HKExnews” of the Stock Exchange.

## COMPANY SECRETARY

The Company Secretary, Mr. Chung Wai Cheung, Terence, is an employee of the Company and has appropriate understanding of the Company's business. The Company Secretary is responsible for supporting the daily operation of the Board and ensuring the compliance with the policies and procedures of the Board. All of the directors can access to opinions of the Company Secretary to ensure that the procedures of the Board conform to the applicable laws and regulations. The profile of the Company Secretary is set out in the section of “Profiles of Directors, Supervisors and Senior Management” in this annual report. The Company Secretary met the requirement on professional training under the Rule 3.29 of the Listing Rules in 2022.

## REMUNERATION OF THE AUDITORS

The international and domestic auditors of the Company are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP, respectively. The external auditors have provided audit services to the Company since they were initially appointed at the 2021 AGM on 17 June 2022. The remuneration (including VAT) received by the external auditors for the audit services and non-audit services provided to the Group during the year amounted to RMB30.2 million and RMB0.5 million respectively.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements. The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, and therefore the directors continue to adopt the going concern approach in preparing financial statements.

The responsibility statement of PricewaterhouseCoopers, our external auditors, regarding its Independent Auditor's Report on the financial statements of the Group is set out on pages 151 to 156 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management and Internal Control System

The Board of Directors of the Company is fully responsible for establishing and maintaining an appropriate and effective risk management and internal control system to safeguard the investment of the shareholders and the assets of the Group. The Company has set up an internal control system and risk management mechanism in compliance with the COSO standards and defined management structure and its authority, which aims at ensuring the efficient utilization of the resources of the Company to achieve its business targets and safeguard its assets, with a view to preventing unauthorized utilization or disposal of the resources of the Company, securing appropriate accounting records to provide reliable financial evidence for internal use or external dissemination, so as to ensure that its operating activities are in compliance with relevant laws and rules. The above control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has a Code of Conduct for Employees to ensure ethical values and competency and it attaches great importance to the prevention of fraud risk and has established an internal reporting mechanism to encourage anonymous reporting of irregularities by the Company's employees, especially senior management. The Audit Committee has the power to make inquiries of the President and Chief Financial Officer of the Company regarding any fraud, whether material or not, involving management or other employees who play a significant role in the internal controls of the Company. For more information on the Company's anti-corruption initiatives, please refer to the "Environmental, Social and Governance Report" section of this annual report.

The Company attaches great importance to risk management in the course of its daily operation. With a decade of development since the listing, the Company has established a risk management culture appropriate to its business practices. The Company put in place a set of practicable risk management methods as well as a sound organization structure and management mechanism for risk management, which solidified risk management procedures, enhanced risk management efficiency and perfected its comprehensive risk management mechanism. In 2022, the Company took into account the requirements of Rule D.2 of the Corporate Governance Code of the Stock Exchange and continued to strengthen the identification, classification, assessment and control of risks, paid attention to environmental changes, strengthened green and energy-saving measures, innovation and transformation, and compliant operation. The Company actively shouldered social responsibilities, improved management efficiency, and monitored and tracked significant risks related to environmental, social, and governance, to promote its long-term sustainable development. No material risk issue was identified during the year. After strict identification, assessment and analysis of risks, the Company conducted assessments on the potential risks that the Company may be exposed to in 2023, such as market risks and financial risks, as well as the significant risks related to environmental, social and governance, and proposed practicable corresponding solutions. The Company formulated the annual risk management report which sets out the risk management work in 2022 and the assessment of material risks and the control plan for 2023. For details of the major risks of the Company, please refer to the "Report of the Directors" and "Environmental, Social and Governance Report" sections of this annual report.

Since its listing in 2006, the Company has formulated the internal control manual, internal control assessment rules and other systems based on the COSO internal control framework. Over the years, the Company has striven to improve the systems related to internal control and risk management in light of the changes in internal and external operating environments and business development requirements. In 2022, according to the internal and external regulatory requirements, as well as in response to the strategy of corporate transformation, the Company adapted to the changes in its operation management and policy environment and completed the revision of the internal control manual, and optimized and improved the internal control authority list. The Company has newly added internal control procedures related to environmental, social and governance as well as business practices on network information security management, overseas investment business, equity investment management and debt financing management. We revised the business processes for capital management, fixed asset management, contract management and procurement, and improved the management practices for safety production business, guarantee business management and assets rights management to ensure that the Company's internal control manual meets the management needs of the Company.

## CORPORATE GOVERNANCE REPORT

The Company has established an internal audit division, which is responsible for organizing the Company's daily risk management and internal control assessment and reporting to the Audit Committee and the Board of Directors to ensure that the Board and management maintain and operate a sound risk management and internal control system in accordance with established procedures and standards. In 2022, the Company further strengthened audit supervision, attached importance to the audit rectification and utilization of the results of audit, and continued to strengthen the construction of its audit team in order to foster management improvement and prevent loopholes. The above work plays an important role in supporting the Board, the management and the risk management and internal control assessment.

The Company has formulated guidelines on information disclosure management to regulate the disclosure of the periodical result announcements, sensitive information and other important information of the Company and to make proper disclosure in accordance with the requirements of the Stock Exchange. The Company has established a progressive accountability, verification and reviewing system, to ensure the truthfulness, accuracy and timeliness of information disclosure. The Company will appoint external independent advisors, such as legal advisors, for reviewing and verifying when necessary. The Executive Vice President and the Company Secretary of the Company are responsible for coordinating and organizing information disclosure to ensure the compliance of the information disclosure. The Company Secretary is responsible for the daily management of information disclosure, including the disclosure of inside information. The Company also has the Office of the Board to assist in the detailed work regarding information disclosure.

In order to fulfill the requirements of the Stock Exchange, to ensure connected transactions are carried out according to the pricing policy or mechanism under the framework agreements and to regulate and enhance the management of connected transactions, the Company has formulated the "Administrative Measures of Connected Transactions of China Communications Services Corporation Limited". The Company enters into a connected transaction framework agreement with China Telecommunications Corporation and applies for the annual caps of connected transactions every three years. At the end of each year, the Company evaluates the connected transactions entered into in each province in the previous year. In order to ensure the compliance and effective operation of connected transactions on financial services with China Telecom Group Finance Co., Ltd., the Company has formulated the "Administrative Measures of Connected Transactions on Financial Services of China Communications Services Corporation Limited", through transaction verifying mechanism, daily monitoring mechanism, price checking mechanism and contingency planning mechanism, providing safeguards for the internal control of connected transactions on financial services, to ensure compliance with relevant regulatory requirements. The Company develops the monthly budget for deposit services, monitors the total amount of deposits of the provincial companies, and ensures that the caps of connected transactions is not exceeded. In addition, the risk identification and control targets for connected transactions formulated by the Company are set out in the internal control manual. A series of internal control procedures have been established in respect of the reporting and determination of the annual caps for connected transactions, signing and execution of contracts, reconciliation with connected parties, data verification, accounting, verification of information disclosure and information disclosure, and on-going improvements are made to the management process for connected transactions.

### Annual Risk Management and Internal Control Assessment

The Company continues to focus on strengthening internal control and risk management and has sound internal control and management systems in place. The main internal control and risk management measures of the Company in 2022 are summarized as below:

In 2022, the internal audit division of the Company took the lead in organizing self-assessment for internal control within the whole Group. During the year, the Company continued its risk-oriented internal control self-assessment, which was organized from top to bottom and under a unified manner. With the changes in the Company's internal and external environments as well as the continuous expansion of its business scale, the Company increased its attention to comprehensive risk management. On the basis of its risk-oriented internal control self-assessment system and a comprehensive assessment, the Company identified the key areas and processes to focus on according to the major risks that might be faced by the Company during the year, and effectively and adaptively prepare the list of contents to be addressed for the self-assessment in the year, so as to accomplish a comprehensive and well-targeted inspection and assessment, which covered all of its subsidiaries.



The internal control self-assessment was conducted under the supervision of the Company's comprehensive risk management committee, with the President of the Company acting as its director. Leading by the internal audit division, it organized and coordinated the relevant departments of each risk issue to coordinate and assess their own risks, emphasizing the business departments playing a leading role in dealing with the risk management issues at source. The Company further promoted the effective combination between the self-assessment and daily operation management and ensured the effectiveness of the self-assessment work. The business departments were to decide on the persons responsible, exert themselves as the first line of defense of risk management, and instill the risk prevention awareness into all areas of the Company's operations, so as to enhance the effectiveness of their self-assessment efforts and promote the improvement of their management.

After the completion of the assessment, the Company focused on prevention of material risks, and reviewed and examined the design and implementation of its internal control and risk management systems. The Company also formulated practical and effective rectification measures in relation to defects identified during the self-assessment to ensure the effectiveness of the rectification, aiming to make ongoing improvements to the internal control system and process so that it could function better to prevent risks and contribute to good management practice. Meanwhile, in the subsequent internal audit, attention was paid to the effectiveness of the internal control for various businesses and inspection was made on assessment of internal control and rectification of defects, so as to ensure that the assessment is effective.

In 2022, the Company further improved its internal audit system and continued to promote the execution of the audit project plan and conduct comprehensive internal audits. The Company made independent and objective supervision and assessment of the operation activities and the appropriateness, compliance and effectiveness of its internal control, with an aim to enhance its operation and create more value for the Company, improve the processes for risk management, control and corporate governance and contribute to the fulfillment of its strategic goals. In light of the requirement on annual key risk control and the characteristics of its operation and management. The internal audit carried out during the year mainly included economic accountability audit, revenues and expenses audit and special audit on relevant matters, with a focus on income and cost accounting, cash management, and product distribution business management. Upon the request of the management of the Company and in light of the needs of relevant business departments, the internal audit division made use of the data from the audit and the audit outcomes to hold the audit joint meetings, so as to provide advice for the decision-making and operation and management activities of the Company.

In 2022, the Company continued to promote audit standardization and widely applied the standard audit plan to various special audits based on its audit informatization system. The Company utilized informatization audit measures to manage the audit projects and established an internal audit quality assessment system to conduct quality assessment so as to improve audit quality and achieve full audit coverage. In 2022, the Company completed not only the planned economic accountability audit, but also the revision of internal control manual and the special audit on the efficiency of internal control process, and promoted the implementation of strategic control to all levels of the Company.

The Board continued to monitor and supervise the risk management and internal control systems of the Company through the Audit Committee, and conducted an annual review on the risk management and internal control systems of the Company and its subsidiaries for the financial year ended 31 December 2022. The review covered all significant aspects of controls, including financial controls, operational controls and compliance controls. After receiving the report from the internal audit division as to the effectiveness of the relevant systems (including the environmental, social and governance related risk management and internal control systems) and the relevant confirmation from the management to the Board, the Board considered that the risk management and internal control systems of the Company were stable, healthy, proper, effective and adequate. The annual review also confirmed that the adequacy of resources, staff qualifications and experience, training programmes, and budget for the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's environmental, social and governance performance and reporting. The Company has satisfied the requirements under Rule D.2 of the Corporate Governance Code of the Stock Exchange regarding risk management and internal control.