

BUSINESS OVERVIEW

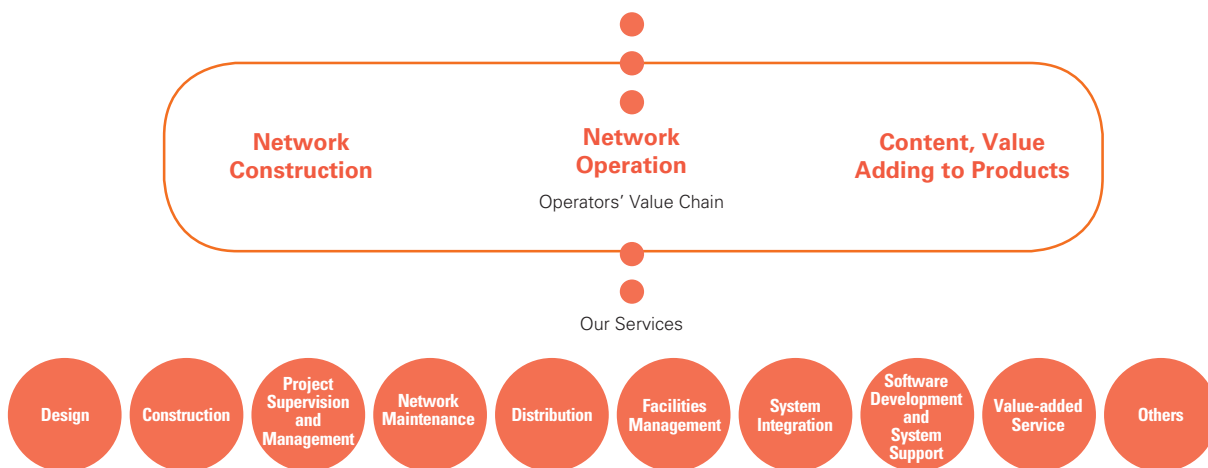
The Group is a leading service provider in the PRC that provides integrated support services in the informatisation sector including telecommunications, media and technology. The Group provides integrated solutions, including telecommunications infrastructure services, business process outsourcing services as well as applications, content and other services to telecommunications operators, media operators, telecommunications equipment manufacturers, telecommunications infrastructure providers, government agencies, industrial customers and small-and-medium enterprises ("SMEs").

The Group's business covers China and dozens of countries and regions globally. Its overseas customers are mainly located in the markets including Africa, the Middle East and Southeast Asia.

CUSTOMER SERVICES AND MARKET EXPANSION

In 2014, the Group continued to adhere to its market-oriented approach and overcame the imbalanced pace of network construction investment of domestic telecommunications operators. The Group allocated resources adaptively for the expansion of the three customer markets by leveraging on its advantages of integrated services to further expand into the domestic telecommunications operator market, and the Group's leading position in such market was further consolidated. Furthermore, the Group accelerated its business development in the domestic non-operator market and actively and orderly expanded into the overseas market. The income structure was optimized, and the quality of overall business development and the risk prevention capability of the Group were further enhanced.

We provide an integrated package of services through all stages of operators' value chain



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(In RMB million except percentages)	2014		2013		Changes over 2013
	Revenue	Percentage to total revenues	Revenue	Percentage to total revenues	
Domestic telecommunications operator customers	47,117	64.4%	43,326	63.3%	8.8%
Domestic non-operator customers	22,269	30.4%	21,321	31.1%	4.4%
Overseas customers	3,790	5.2%	3,812	5.6%	-0.6%
Total	73,176	100%	68,459	100%	6.9%

In 2014, the Group maintained steady and sound development. While pursuing steady revenue growth, the Group scaled down the development of certain businesses with low operating efficiency and further enhanced the quality of income from domestic non-operators and overseas customers. The Group achieved total revenues of RMB73,176 million, representing a year-on-year increase of 6.9%.

In 2014, revenue from domestic telecommunications operator customers amounted to RMB47,117 million, representing a year-on-year increase of 8.8% and accounting for 64.4% of the total revenues. Domestic telecommunications operator customers were the most important contributor of the operating results in 2014. As the operation permit for the LTE/4G digital cellular mobile service (TD-LTE) was issued in December 2013 and the number of LTE hybrid network trial cities gradually increased since the second half of 2014, domestic telecommunications operators accelerated their investment in network construction which provided more business opportunities for the Group in telecommunications infrastructure services. Moreover, the Group closely monitored the increasing demand of outsourcing maintenance services from domestic telecommunications operator customers and leveraged on its advantages in integrated services of construction and maintenance to fully support 4G network construction and overall network maintenance of domestic telecommunications operator customers. The Group believes that the issuance of FDD LTE license will boost the network construction investment of domestic telecommunications operators. The comprehensive and deepened reforms measures, the promotion of "Broadband Countries" strategy, as well as the commencement of operation of the Tower Company will provide the Group with precious opportunities for expanding into the relevant markets in China.

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Establishment of communication system for the Youth Olympic Games

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In 2014, revenue from domestic non-operator customers amounted to RMB22,269 million, representing a year-on-year increase of 4.4% and accounting for 30.4% of the total revenues. The Group proactively grasped the development opportunities brought by the rapid development of informatisation due to domestic economic transformation and upgrade and focused on the informatisation demand of government agencies, industrial customers and SMEs and provided our customers with services such as urban pipeline relocation, Smart City, cloud computing/data centres and intelligent building. The Group successfully entered into agreements in relation to informatisation turnkey projects, such as Smart Qianhai, Smart Ningbo Exhibition Centre, China Life Data Centre, Guanlan Cloud Computing Centre, intelligentization of White Swan Hotel and Safe Binjiang, which further enhanced the brand awareness and recognition of the Group. In the future, the Group will focus on the demand arising from national policies in urbanization and informatisation and will strive to expand into key sectors, such as construction and real estate, transportation, internet and IT, energy and finance, to provide its customers with typical informatisation products and solutions, including "Smart City", "Safe City", "Intelligent Building" and "Cloud Computing".



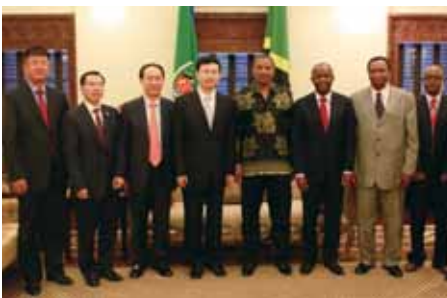
Smart Ningbo Exhibition Centre Project

In 2014, revenue from overseas customers amounted to RMB3,790 million, representing a year-on-year decrease of 0.6% and accounting for 5.2% of the total revenues. The Group continued to optimize the revenue structure of overseas customers by scaling down the development of certain businesses with low operating efficiency and increasing the proportion of turnkey projects to overseas revenue. During the year, revenue from overseas turnkey projects accounted for 51% of overseas revenue, representing a year-on-year increase of 9 percentage points.

The Group further consolidated its position in major markets, including Congo (K), Tanzania and Nigeria and expanded into new markets in Gabon and Niger for the construction of national backbone networks. During the year, the Group strengthened its cooperation with a strategic investor and financial institutions, to further broaden its financing channels and actively supported the development of its overseas business. In the future, the Group will grasp the opportunities brought by the governments promotion of "One Belt and One Road" construction, the establishment of "Asian Infrastructure Investment Bank" and the "Going Abroad" strategy of Chinese capital and enterprises and focus on the demand of "Broadband Countries, Smart Cities and Regional Information Hubs" in Africa, the Middle East and Southeast Asia. The Group will endeavour to realise rapid scale development in overseas market by providing its customers with high quality and differentiated products and services.

TELECOMMUNICATIONS INFRASTRUCTURE SERVICES

As the largest telecommunications infrastructure service provider in China, the Group possesses all the highest grade qualifications in the communications construction industry in China. It is also able to provide worldwide operators with comprehensive telecommunications infrastructure services including planning, design, construction and project supervision for fixed-line, mobile, broadband networks and supporting systems. In 2014, the Group's revenue from telecommunications infrastructure services amounted to RMB34,008 million, representing a year-on-year growth of 6.2%.



Meeting with government officials of Tanzania



Submarine cable construction

The Group fully supported the broadband and mobile network construction of three major telecommunications operators and overseas customers. In 2014, the Group's revenue of telecommunications infrastructure services from domestic telecommunications operators amounted to RMB26,548 million, representing a year-on-year growth of 6.6%. The Group's revenue from the provision of telecommunications infrastructure services for overseas customers amounted to RMB2,964 million, representing a year-on-year increase of 10.8%.

The Group also provides construction services of ancillary communication networks, and integrated solutions for informatisation and intelligent buildings to domestic non-operator customers, such as government agencies, financial institutions, broadcasting and television enterprises and construction enterprises. The Group continuously achieved breakthroughs in Smart City, intelligent building and construction of data centre.



Fiber optic broadband network project in the information park

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In 2014, pursuant to the arrangement for the establishment of the Tower Company, the Group commenced the relevant work in relation to the preferential treatment and non-competition arrangements and undertook some construction and maintenance businesses of the Tower Company, and securing the continuity of services.

The Group believes that the Group's telecommunications infrastructure business will benefit from the increasing opportunities arising from the acceleration of network construction investment of domestic telecommunications operators as a result of 4G license issuance, the typical informatisation construction businesses such as "Smart City" and "Safe City" driven by the promotion of urbanization and informatisation in China, the booming demand for telecommunications infrastructure and mobile network construction in overseas emerging countries and the demand for integrated services from the Tower Company.



4G equipment installation and base station construction



BUSINESS PROCESS OUTSOURCING SERVICES

The Group is the largest integrated provider of business process outsourcing services for the communications industry in China. Extending the telecommunications infrastructure services along the value chain of the communications industry, the Group mainly provides services including management of infrastructure for information technology ("Network Maintenance"), distribution of telecommunications services and products ("Distribution") and general facilities management. The target customers include domestic and overseas telecommunications operators, government agencies and enterprise customers. In 2014, as the Group actively expanded related business from operators' operating expenditure, revenue of business process outsourcing services amounted to RMB31,215 million, representing a year-on-year growth of 7.6%.

The Group provides Network Maintenance services for telecommunications operators in relation to fiber optic cables, electric cables, base stations, network equipments and user terminals. Continuous growth in the market space of maintenance services as a result of the enlarging network scale and the persistent maintenance outsourcing by domestic telecommunications operators have facilitated the rapid growth of revenue of Network Maintenance business of the Group. In 2014, revenue of Network Maintenance business amounted to RMB8,146 million, representing a year-on-year growth of 18.3% and it recorded the highest growth rate among all businesses of the Group in 2014. The incremental revenue of Network Maintenance business accounted for 26.8% of the total incremental revenues for the year.



Our emergency team worked hard for restoration of telecommunications networks in time of natural disasters

The Distribution services of the Group include marketing agency services for communications business, basic logistics and value-added logistics, sale of communications machineries, and wholesale and distribution of handsets. Our major customers are telecommunications operators, telecommunications equipment manufacturers, government agencies and medium to large-sized enterprises. In 2014, the Group adhered to the principle of “efficient development” in developing its distribution business and scaled down the development of business with low operating efficiency. The revenue of the distribution business for the year amounted to RMB19,599 million, representing a year-on-year increase of 3.5%. The growth rate was significantly lower than that of corresponding period of the previous year¹.



Tower maintenance

The Group provides general facilities management services on equipment rooms, buildings and high-end office buildings for domestic telecommunications operators and non-operator customers. In 2014, revenue of the general facilities management services amounted to RMB3,470 million, representing a year-on-year growth of 8.7%.

The Group believes there is large market space and huge potential from the operating expenditure of domestic telecommunications operators. Business process outsourcing services have the characteristics of strong customer loyalty, low account receivables and sound cash flows. The Group will further consolidate its advantageous resources and commence professional operation in certain high-valued business lines to strive for efficient development in these markets.

¹ In 2013, revenue from the Distribution services of the Group amounted to RMB18,934 million, representing a year-on-year increase of 11.7%.

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APPLICATIONS, CONTENT AND OTHER SERVICES

The Group provides services such as system integration, software development and system support, and value-added services for domestic telecommunications operators, government agencies, industrial customers and SMEs. In 2014, revenue of applications, content and other services amounted to RMB7,953 million, representing a year-on-year growth of 7.3%.

In 2014, the Group continued to promote competitive products and solutions such as “Smart City”, video surveillance, business and operation supporting systems, mobile informatisation and information security. Meanwhile, the Group also achieved breakthroughs in its innovative products, and its Internet mobile financial service platform “Griipay” had over 3 million registered users and became widely known locally. Agreements were signed with 18 corporate clients for Success Factors, a public cloud solution for human resources launched in August 2014 which was jointly operated by SAP and the Group.

The Group believes that the above areas are with enormous market space. The Group will leverage on its existing products and customer base, lift vibrancy and strengthen capability of specialised companies and key staff members through system and mechanism innovation, increase investment in the research and development and strengthen external cooperation, with a view to accelerating product innovation and promotion in key areas such as information security, Internet of Things and cloud computing.



The Company and SAP jointly launched cloud services



智慧宁波信息化战略总体架构

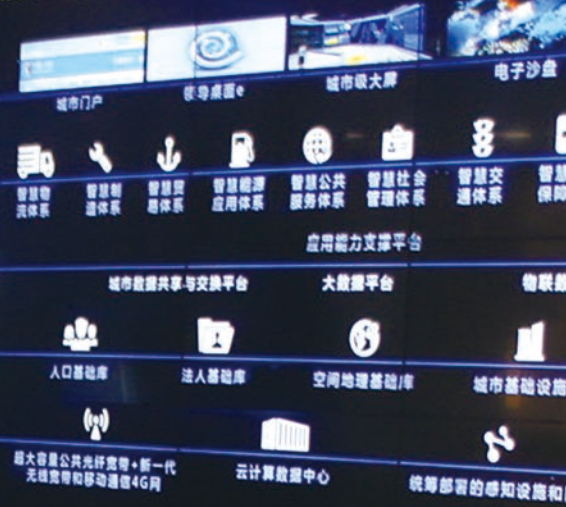
应用系统层

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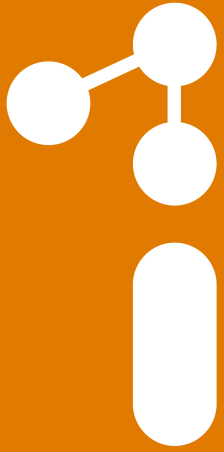
公共平台层

数据资源层

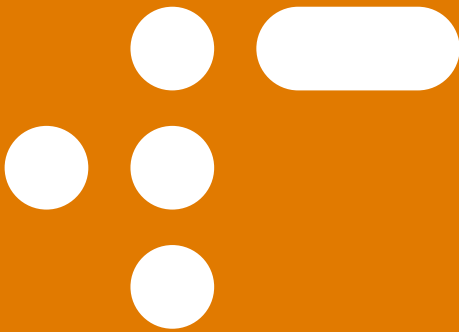
信息基础设施层



Implementing
Reforms
for Efficiency



The Group will promote deepened reforms to lift its vibrancy and strengthen its capability. The Group will pursue innovative operational and business models, optimise its organizational structure, and promote the specialization and integration of businesses to enhance its ability to provide integrated services. The Group will sub-divide performance evaluation units and optimise project management system. The Group will enhance its product innovation, review its product portfolio and devote more resources on research and development to key products so as to enhance its service quality and competitiveness.



Reforms for Efficiency Implementing





智慧宁夏信息化建设总体架构

智慧宁夏

- 基础设施
- 数据资源
- 应用系统
- 安全保障

