

Chief Executive Officer's Statement



Dear shareholders,

In 2006, our Company completed its restructuring and was successfully listed in Hong Kong. With the full trust, efficient leadership and strong support of the Board, the management and all employees of the Company have, through joint efforts, fulfilled all the objectives set by the Board and achieved good operating results.

In 2006, our Company further improved the standard of our services, strengthened the development of our operations, and steadily enhanced our operating efficiency. Our revenues reached RMB14,182.80 million, representing an increase of 7.2% from 2005. Effective control of the operating costs was implemented and the level of free cash flow was noticeably improved. EBITDA⁽¹⁾ margin was 10.0%, an increase of 0.7 percentage points from 2005. Profit attributable to shareholders was RMB696.08 million, higher than the profit forecast of RMB650 million stated in our prospectus, representing an increase of 16.5% from 2005. Earnings per share were RMB0.172.

In 2006, as a "service provider to telecommunications operators", we further reinforced our position as a market leader in the industry through a series of measures, including the development of a customer-oriented service culture, the establishment of dedicated customer service teams for our key customers, the acceleration of our business development and hammering out our core competitiveness to fully realize the advantage of our integrated services business model. The Company actively implemented innovative management, optimized the Company's structural and business processes, enhanced our execution capabilities and further improved our operational efficiency. We place high importance on the management of our human resources, implementing strict control over employee numbers and devoting greater resources to the nurturing of our management and 3G technical personnel, hence establishing a strong human resources pool to facilitate our future development.

(1) EBITDA = Gross Profit + Other operating income – Selling, general and administrative expenses – Other operating expenses + Depreciation and amortization

In order to be better positioned to seize opportunities arising from the launch of 3G services, we strengthened our cooperation with telecommunications operators and equipment suppliers in 2006 and participated in the application development, network planning and design-specification development of various 3G technology standards and work relating to the TD-SCDMA trial networks. We believe that with all these initiatives, we will be one of the first and key beneficiaries of the launch of 3G services in China.

Clear business strategies and excellent implementation capabilities are key to achieving excellent operating results. In 2007, we will focus on the execution of five key development strategies as follows:

Core Competitiveness Strategy:

We will fully capitalize on our advantageous edge of local presence and a one-stop services business model to proactively expand our specialized operations and cross-regional cooperation. On the premise of business and service innovation, we will nurture competitive and effective business growth drivers. We will further consolidate our position as a market leader through a combination of organic growth as well as external expansion by strategic acquisition.

Service Focus Strategy:

We will further strengthen our customer service culture and improve our customer-oriented dedicated marketing teams to provide neutral and professional “one-stop” services and prompt responses to customer requests, with a view to enhancing the value of our company and our customers.

Resources Consolidation Strategy:

We will improve operational efficiency and effectiveness through the further optimization of our resource allocation, speeding up structural adjustments and optimizing deployment efficiency. We will utilize a centralized IT management system to improve our management standards and effectively control our operating costs.

“Win-win” Cooperation Strategy:

We will further consolidate our strategic cooperation with telecommunications operators and equipment manufacturers through a multitude of products and excellent service, and strengthen cooperation with upstream and downstream enterprises along the value chain to create value for our customers, thereby creating a “win-win” business model.

Human Resources Strategy:

We will establish a performance appraisal system and a remuneration system which link authority with responsibility, incentive with restriction, and reward with risk. By perfecting our market-oriented recruitment and incentive mechanism, we will be able to optimize our human resources structure and increase the productivity of our staff. We will also place greater emphasis on human resources development so as to maintain a professional management team, a high quality team of professional personnel, and a team of business talent.

We are fully confident with regards to 2007. We believe the rapid development of the telecommunications industry and the launch of 3G services in China will bring enormous business opportunities to the Company. Our option to acquire certain quality assets for telecommunications support services from our parent company will further enhance our development potential. We believe that with the strong support of our shareholders, the leadership of our Board and the joint efforts of our employees, we will continue to maintain our leading position in the industry and create greater value for our shareholders.

Finally, I would like to take this opportunity to express my sincere appreciation to all of our shareholders and directors, as well as our customers, for their support and trust, and gratitude to all our staff for their hard work!



Li Ping
Vice Chairman and Chief Executive Officer

Beijing, PRC
17 April 2007

Telecommunications Infrastructure (TIS) Services



We provide telecommunications infrastructure services, including telecommunications network planning and design, construction, and project supervision and management.

Design Services

We offer planning and design services for fixed line and mobile telecommunications networks. Our services include consultancy, planning, field survey and design of telecommunications networks, civil engineering projects and other auxiliary facilities.

Construction Services

We carry out the construction, installation and adjustment work relating to fixed line and mobile telecommunications infrastructures, and help telecommunications operators form their network capability to provide telecommunications services. Our services include:

- laying and installation of electrical and optical duct and cable networks for communications systems;
- installation, adjustment and testing of communications equipment;
- civil engineering works and construction of other auxiliary infrastructures;
- telecommunications network optimization projects.

Project Supervision and Management Services

We offer clients with project supervision and management services. Through such independent services, we help customers to control the quality, progress, cost and security of communications related projects, organize project completion inspections and acceptance, and conduct settlement auditing services

