

Human Resources Development

In 2006, based on the philosophy of staff welfare should be the concern of an enterprise and talents being essential to the success of an enterprise, the Company, with regard to human resources as its first resource and its most important production element, reformed and renovated its human resources management. During the year, the Company had focused on the control of the total number of workforce and the optimization of human resources structure, improved our overall human resources investment strategy, and enhanced the operating efficiency of human resources, thereby providing a strong manpower support to the operation and development of the Company.

- **Basic information on Employees**

As at the end of 2006, the total number of employees of the Company was 71,666, including 5,016 management staff, which accounted for 7.0% of the total workforce, 20,066 technical and marketing personnel, and 46,584 operational personnel.

We implemented labour control during the year with a staff reduction rate of 2.4%. To streamline the management structure, the number of management staff was decreased by 4%. At the same time, we actively recruited marketing and 3G talents. The number of employees with a bachelor's degree or a higher degree increased by 11%. Our human resources structure was therefore further optimized.

- **Optimizing the Organizational Structure and Improving Business Processes**

According to the Company's overall strategy, we established a head office that are responsible for the strategic targets and a flat organizational structure at the provincial subsidiaries level. We reduced management hierarchy and management staff. We have optimized the procedures of business operation and management and launched an IT system for management of human resources, which enables us to set job positions scientifically and has further enhanced operation efficiency.

- **Establishing a Remuneration Mechanism which Combines Long-term and Short-term Incentives through Performance Review**

The Company has implemented market-oriented human resource policies, and insisted on the concept of letting people demonstrate their talents, and talents create values. Employees achieve their jobs through competition. Both employees and management personnel are subject to a dynamic human resources management mechanism which employs or dismisses a person based on his/her performance. The Company has established a performance check index system which reviews the performance of managers of the Company's province-level subsidiaries and links the results of such performance review directly with their remuneration. On the basis of performance review, the Company has established a long-term incentive mechanism for management and key employees.

- **Strengthening Human Resources Development and Improving Staff Career Development**

We offered various overseas training programs to our staff, including the courses on business development and 3G technologies, to improve our staff's abilities and provide more promotion opportunities to them, offer more room for the development of different types of employees, thereby enhancing the value of the staff and the Company as a whole.

- **Harmonious Relationship between Employees and the Company**

The Company endeavours to create a learning-oriented work environment and culture to maximize the enthusiasm, initiative and creativity of employees. We encourage communication between employees and management at various levels so that the Company and the employees can achieve a harmonious development.

In 2006, the Company devoted much attention to production safety and the health and safety of the employees were well protected.