



Chairman's Statement



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Dear Shareholders,

2008 was an extraordinary year for the Group. The international financial crisis initiated a global economic slowdown and brought challenges to the Group. At the same time, the formal announcement of the domestic telecommunications industry restructuring brought unprecedented opportunities to the industry. Through the effective implementation of our established development strategies, the Group seized development opportunities in the industry, and achieved encouraging results in areas such as operations, acquisition and integration and overseas expansion.

In 2008, total revenue of the Group reached RMB32,471 million, representing a year-on-year growth of 37.9%. Profit attributable to equity shareholders was RMB1,316 million, representing a year-on-year growth of 12.8%. Our free cash flow amounted to RMB1,271 million. Having considered the interests of, and return to, our shareholders, and the funding requirements for the Group's long-term development, the Board of Directors proposed to pay a final dividend of RMB0.0913 per share for the financial year ended 31 December 2008.



Telecommunications Industry Restructuring and Issuance of 3G Licence

The long-awaited telecommunications industry restructuring proposal was formally announced in May 2008 and 3G licences were officially issued in January 2009. It is expected that demand for 3G related services such as telecommunications infrastructure construction, network maintenance and optimization, and telecommunications value-added services will accelerate the rapid development of the industry's value chain and provide commercial opportunities for our three main businesses. The Group has already fully prepared itself for these opportunities, for example, by actively participating in the TD-SCDMA trial network construction and thus gaining valuable experience. In 2008, through the acquisition and integration of China International Telecommunications Construction Corporation ("CITCC"), the Group achieved nationwide business coverage with synergy emerging gradually. In addition, the Group established dedicated project support teams and closely monitored the demand of our three major operator customers. In the second half of 2008, there was significant progress in the respective businesses, which was the major factor in driving up our sales growth for the year. In future, the Group will continue to focus on our customer needs and key projects, and allocate resources effectively, with a view to achieving sustainable development.

Overseas Markets Expansion

Overseas markets expansion is one of the Group's long-term development strategies. In 2008, the Group achieved an initial success in its business expansion strategy by starting to act as the principal contractor for large-scale projects in certain regions such as Africa, including the nationwide optical fiber transmission network in Congo (K). Demand in developing countries for telecommunications infrastructure services is growing. Meanwhile, the PRC government adopted policies encouraging enterprises to "Go Abroad". All the foregoing has provided a sound development environment for our overseas business expansion. In future, the Group will focus on overseas projects in which we act as principal contractor, and strengthen our efforts in overseas markets expansion so as to fuel our long-term growing power.

Opportunity from Corporate Informatization Construction

In response to the global economic slowdown in 2008 caused by the financial crisis, the PRC government put forward a series of measures to stimulate the domestic economy and enlarge domestic demand, such as those aiming to accelerate infrastructure construction. Meanwhile, the government has encouraged the economic informatization of society and promoted the integration of industrialization and informatization. All of these have provided the industry with tremendous opportunities and a clear direction for development. Accordingly, the Group will focus on responding to the demand for informatization construction of government agencies and corporate customers and enhancing our cooperation with strategic partners. The Group will further improve our core competitiveness to grasp opportunities brought by such informatization construction.

Corporate Governance

The Group believes that maintaining a good corporate governance structure and sound internal control system is key to protecting the interests of the shareholders. In 2008, the Group strictly complied with the relevant laws and regulations and further optimized its corporate governance structure to ensure a stable, optimal and effective internal control system. The Group has consistently stood on a principle of timely, fair and accurate information disclosure, using different channels to enhance our communications with shareholders and capital markets, thereby improving the transparency of the Company and enhancing our corporate value.



Corporate Responsibility

China experienced catastrophic natural disasters in 2008, such as the snowstorms and earthquakes. The Group actively supported all major operators and equipment vendors to restore and reconstruct telecommunications networks, providing a total of over 30,000 person-time support services. It demonstrated our nationwide centralized deployment and prompt and highly efficient service support capability and helped us establish a sound corporate image. As a result, we received high social and customer recognition.

Outlook — Coexistence of Challenges and Opportunities

2009 is a year full of opportunities and challenges. The domestic telecommunications industry began to show signs of dampening growth in the second half of 2008 due to the slowdown in the global economy. This is expected to continue as the macroeconomic environment continues to negatively impact market demand in the telecommunications industry. There will be changes in the competitive landscape following the industry restructuring, and uncertainties in regulatory policy governing the industry will also emerge. However, we believe that the opportunities thrown up in these times will outweigh the challenges. In future, the Group will continue to build up our culture of providing quality customer service, sustain our customer-focused informatization strategy, actively expand our overseas markets, adhere to innovative development and encourage the integration of organic and external growth. With our excellent management team, professional staff members and years of industry experience, we are confident that we, as the “service provider for telecommunications, media and technology companies”, are well positioned to achieve our mission of being customer-oriented, maintaining excellent operations, allocating our resources efficiently, demonstrating innovative leadership and bringing maximized returns to our shareholders.

Finally, on behalf of the Board, I would like to express my gratitude to all staff for their dedication and hard work in contributing to the development of the Group in the past year, and also my sincere thanks to all customers and shareholders for their continuous unwavering support and trust.

Li Ping
Chairman

Beijing, PRC
2 April 2009