

Chairman's Statement



Dear Shareholders,

I am pleased to report to you the overall operating results of the Group in 2009.

In 2009, the Group continued to implement its customer-focused service innovation strategy, seized opportunities, expanded our markets and improved services and efficiency and as a result we were able to achieve good operating results.

In 2009, total revenue of the Group reached RMB39,499 million, representing a year-on-year growth of 19.7%. Profit attributable to equity shareholders was RMB1,599 million, representing a year-on-year growth of 20.5%. Free cash flow reached RMB1,207 million, remaining at a stable level. Having considered the interests of, and return to, our shareholders, and the funding requirements of the Group's long-term development, the board of directors of the Company (the "Board") has proposed to pay a final dividend of RMB0.1108 per share for the financial year ended 31 December 2009, representing a year-on-year growth of 21.4%.

Focused On Customer Needs And Seizing Opportunities For Development

In 2009, the Group quickly responded to the network construction demands of the three telecommunications operators, with revenues from those customers achieving a year-on-year growth of 26.3%. In 2009, the three telecommunications operators invested tremendously in 3G network construction, and the subsequent demand for services, including network capacity expansion, optimization, maintenance and content applications etc. is expected to continue. Furthermore, industry development and technology evolution will bring new business opportunities for the improvement and upgrade of broadband networks. While revenue from telecommunications operators grew stably, contributions from

government agencies and corporate customers to the Group became more and more significant. In 2009, in accordance with the State's policy of stimulating domestic demand, the Group captured the opportunities for the State's urbanization construction and informatization construction of government agencies and corporate customers and provided them integrated services such as communications network consulting, design, construction and maintenance, and achieved favorable growth in revenues from government agencies and corporate customers.

Overseas Markets Expansion With Remarkable Results

Overseas markets expansion is one of our long term development strategies. In 2009, the Group implemented proactive overseas market expansion strategies, further improved our mechanism in overseas market expansion, strengthened our management in overseas platforms and co-ordination and interaction of front-end and back-end operation, and set up co-operative mechanisms with telecommunications equipment vendors, telecommunications operators, large-scale state-owned enterprises and national financial institutions for the purpose of complementing our mutual strengths, sharing resources and jointly developing overseas markets. In 2009, overseas revenues achieved a substantial year-on-year growth of 82.3%, representing 3.3% of the Group's overall revenues. At present, we have completed Phase I of the nationwide optical fiber transmission network projects in Congo (K) and Tanzania. Phase II of the project has already commenced in Congo (K) and we also have several additional strategic projects in the pipeline. The Group expects that contributions of overseas revenues to overall revenues will continue to increase significantly over the coming years.

Innovative ACO Business Development And Building Branded Enterprises

In 2009, the Group continued to accelerate the development of businesses in applications, contents and other ("ACO") services, strengthened internal integration and external co-operation, and strived to improve its core competitiveness. The Company and Accenture International Sarl recently established a joint venture, China Communication Service Application Solution Technology Co., Ltd., to jointly develop businesses in the domestic IT market. In future, the Group will continue to identify suitable acquisition opportunities, and strive to capture opportunities to accelerate our development.

Enhanced Core Management And Improved Corporate Operational Efficiency

In 2009, the Group stably progressed its internal integration by setting up strategic business units focusing on professional services such as designs and construction, reducing the number of companies and gradually achieved the transformation from functional management to integrated operational control for our provincial subsidiaries. At the same time, the Group further facilitated the centralized management in finance, procurement and project sub-contracting, improved its operational efficiency and further realized benefits from economies of scale.

Continual Improvement Of Corporate Governance Standards And Achieved Social Recognition

While our results grow steadily, the Group also strictly complied with relevant laws and regulations and further optimized its corporate governance structure to ensure a stable, optimized and effective internal control system. During the year of 2009, the Board completed its session change and all the members of the first session continue to hold their positions. Half of the Board members are independent non-executive directors, thereby maintaining the Board's continuity and independence of operation.

In 2009, the Group actively promoted its corporate culture construction. With the objective of people-oriented, concern on staff and customer care, we carried out our social responsibilities proactively and operated in good faith, establishing a harmonious enterprise. The Group is widely recognized for these efforts by the communities in which we operate. The Company was awarded “The Most Faithful Enterprise in China of 2009” by the China Faithful Enterprise Election Committee, and we were also ranked as one of “China’s Most Promising Companies 2009” by the authoritative international financial magazine, The Asset.

Outlook

Throughout more than three years since our listing in the end of 2006, through the enormous efforts of the whole Group, we have been able to sustain healthy business growth with expanding market share and continued enhancement in operating results, laying a solid foundation for our sustained, rapid and healthy development in the future. Looking forward, macro-economic environment in the PRC continues to be optimistic, and potential in both domestic and overseas markets is expected to expand further. With telecommunications operators’ full service integrated operations, convergence of the three networks, the emergence of Cloud Computing and Internet of Things and escalating demand for mobile Internet applications, there will be tremendous opportunities provided to the Group for our future development. Entering 2010, we will adhere to our defined development strategy, optimize our resource allocation, speed up our development in overseas market, enhance our core capabilities and foster innovation. Our goal is to establish ourselves as an enterprise delivering excellent results through high efficiency and outstanding core competitiveness.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all our customers and shareholders who showed their care and support to the Group and my utmost respect to all our dedicated and tireless staff!



Li Ping
Chairman

Beijing, PRC
30 March 2010