

Chairman's Statement

Dear shareholders,

It is very encouraging to see a sustainable, steady and healthy development in the first half of 2007. We successfully carried out the acquisition plan from our parent company which fully demonstrated the superior decision making ability of our Board and excellent execution capability of our management team. Meanwhile, as market demand for specialized telecommunications support services remained strong, we leveraged on our unique integrated one-stop services business model and strong customer base, and achieved favourable results through strengthening internal resources integration and further improvement of our service standard.

By pursuing the complementary development strategies of organic and external growth, the Company commenced preparatory work during the interim period for, and completed its acquisition from its parent company, China Telecommunications Corporation, of the assets comprising the business of specialized telecommunications support services in 13 provinces (municipality and autonomous regions) on 31 August 2007. This strategic acquisition has extended our business coverage from the original 6 provinces (municipality) to 19 provinces (municipality and autonomous regions), favoring a larger scale of operations nation-wide, and further reinforcing and consolidating our leading position. The majority of the newly acquired assets and businesses are located in the middle and western provinces areas of the PRC with rapid economic growth prospects and huge potential for sustainable development. During the restructuring stage of the acquisition, we implemented a series of measures in areas such as management system, organizational structure, business processes and financial management in order to integrate the acquired assets. Through the optimization of resource allocation and adjustments to business structure, we aim to realize synergies and enhance operational efficiency on a nation-wide scale within a shorter timeframe. In future, we will continue to explore other acquisition opportunities with synergy potential, with a view to enhancing enterprise value.

In the first half of 2007, the development of 3G in mainland China has entered into a new stage of expanded trial network construction and the number of cities participating the trial implementation increased from 3 to 10. Amid enormous business opportunities, as early as 2006, the Company has already provided telecommunications operators integrated service solutions including planning, design, construction, maintenance and content development so as to involve in various aspects of the 3G market. Our participation have made meaningful contribution to the telecommunications operators in reducing their project management difficulties, enhancing efficiency and shortening construction time. Since 2007, we have actively participated in the expanded TD-SCDMA trial network projects in more than half of the participating cities in mainland China, and engaged in businesses such as design, supervision, management and network optimization of a number of base stations and networks. Moving ahead, we will capitalize on our experience and further enhance our integrated service capabilities in order to be better positioned to seize a larger share in the future 3G market.

A sound corporate governance structure has afforded our Company enhanced transparency. Our Board and specialized Board committees have strictly complied with the relevant laws, regulations and procedures in the acquisition of assets from our parent company to ensure major decisions were sound and independent, and thereby effectively protecting interests of the public shareholders. Pursuant to relevant regulatory requirements and with emphasis on better internal management standards, we have established internal control and risk management system at the outset of the establishment of the Company. We aim to create a long-term mechanism to avoid and guard against risks to enable effective implementation of our existing strategies and further improve our operational effectiveness and efficiency.

Chairman's Statement (Continued)

Looking ahead, with China's rapid economic growth, there is great development potential for the PRC telecommunications industry. The PRC government's strong initiative to foster "informationalization" and the tremendous market demand for telecommunications infrastructure services and IT solutions will offer us promising prospects for continual development. Through further optimization of our resource allocation, active expansion on external markets, continual enhancement of our service and management standards and continual consolidation of our strategic cooperation relationships with telecommunications operators and equipment vendors, we will further enhance the value of our Company and create higher returns for our shareholders.

Finally, on behalf of the Company, I would like to express my heartfelt gratitude to all our staff for their hard work and to the directors and shareholders for their unwavering trust and support for the Company.



Wang Xiaochu
Chairman

Beijing, PRC
5 September 2007