



China Telecom 2013 Annual Work Conference Highlights

On 19 December 2012, China Telecom ("the Company") held its annual work conference for 2013 in Beijing. The themes of this conference included fostering steady corporate development and promoting the development of full-service operations to new levels. During the conference, the Company's work in 2012 was summed up. New operating environment was analysed and priorities for 2013 were developed. As well, business units, executives and employees at all levels of the Company were called upon to firm up their confidence, grab on to opportunities, drive simultaneous scale development and operational efficiency through the dual-leadership of innovation and services, thereby creating a new situation of deepened corporate transformation with scientific development realised. Mr. Shang Bing, Vice Minister of the Ministry of Industry and Information Technology, attended the conference and made important directional pronouncements. Mr. Wang Xiaochu, Chairman of China Telecom, addressed the participants while Mr. Yang Jie, President of China Telecom presented the work report.

In the conference, Mr. Shang spoke highly of China Telecom's work in 2012. He opined that the Company had realised new breakthroughs in its corporate transformation and development while new progress was made in its work on customer service. Also, the standard of its precision management had attained new heights and new achievements were obtained in its fulfilment of corporate social responsibility. He pointed out that, confronted with a fierce and complicated competitive environment, China Telecom was able to intensify its transformation continuously and implement its "Three New Roles" strategy vigorously, thus completing all the tasks laid down at the beginning of the year. After a thorough analysis of the current development situation of China's telecommunications industry, Mr. Shang asked the Company to undertake the following work in 2013: (1) to intensify corporate transformation and make an all-out effort to service informatization establishment, (2) to further raise its service standards and safeguard consumer interest in earnest, (3) to maintain market order deliberately to foster a favourable industry ecosystem, (4) to bolster network information security management with a view to assuring sustainable and healthy development of the Internet.

Striving hard to drive scale development; Innovation-led corporate transformation paying off

At the conference, the Company's work in 2012 was comprehensively reviewed. It was concluded that remarkable achievements had been made on corporate transformation and development. The Company had adopted scientific development approach as guiding principle, driven scale development through dual-leadership in innovation and services and directed its efforts at enhancing capabilities in the four areas of innovation, services, centralised efficient management and operation.

In 2012, there was a steady expansion in China Telecom's subscriber scale. As at the end of November, the number of mobile subscribers was 158 million, of which 65 million were 3G subscribers. As the implementation of the "Broadband China, Fibre Cities" project continued, the number of wireline broadband subscribers surged to 89 million. The business structure of the Company was further optimised, so that mobile subscribers and wireline broadband subscribers comprised more than 60% of all subscribers and that the risk of wireline voice business was basically alleviated.

In the year, the deployment of strategies on emerging businesses took shape, giving renewed vitality to the Company as a whole. The pace of corporatising product centres of applications services sped up. "e-Surfing Video" completed its initial private placement successfully and the joint-venture project on "e-Surfing Chat" was accelerated. The number of users for the product centre services exceeded 600 million, which represented a year-on-year growth of 231%. With the successful development of a system for innovation incubation, robust results were born out of the first batch of incubate projects. A company in cloud computing was also established to foster the specialised operation of the business. Business lines such as Best Tone and BestPay were expanded in earnest. Transformation towards electronic commercialisation of e-channels was advanced. China Telecom actively consolidated its overseas resources by forming an international company to coordinate the development of various overseas businesses. It set up an international gateway at Urumqi and established

the first Cross-Strait direct-linked optical cables.

The Company firmly implemented its campaign of striving for excellent services for customers. The programs of "Five Care" broadband services and "Satisfaction" 3G services were carried out scrupulously. Specific actions in enhancing installation and maintenance standards were performed and leading standards in 3G services were introduced focusing on critical processes and customer experience. Currently, the Company's "Five Ones" service commitments had all been honoured with satisfaction level on its broadband services ranking first in the industry, while satisfaction level on its 3G services was industry-leading.

The Company was enthusiastic in fulfilling its corporate social responsibility. During the year, it provided communication support for the 18th National Congress of the CPC, for the launching of Shenzhou-9, China latest manned spacecraft, as well as for disaster relief and rescue mission. Efforts were also spent on conserving energy, reducing emission, cooperative constructions and infrastructure sharing as well as the effective implementation of Three Networks Convergence trial. There was also enhancing of information security management and active regulation of junk SMS.

Throughout the year, the development of China Telecom has drawn the attention of all walks of society. It ranked 221st and 13th respectively in "Fortune Global 500" and "China's Top 300 Corporate Social Responsibility Development Index". It has been conferred, among others, "Best Managed Company in Asia", "Platinum Award for All-round Excellence", "Best Corporate Social Responsibility" and "Asia's Most Honoured Companies" by authoritative institutions both at home and abroad.

2013 tasks specified at the conference: to firmly foster the "Three New Roles" and to drive innovative services to new heights

At the conference, it was noted that 2013 would be a promising year for the company full of strategic opportunities. To capitalise on the opportunities, China Telecom must get fully prepared, resolutely tackle challenges and strive hard for the best results by grasping five key areas. (1) The Company must expand its operational scale unwaveringly. (2) It must pay more attention to the quality and operational efficiency of its development. (3) It should further foster strategic transformation of its business structure. (4) It should continuously enhance its capabilities in innovation, services, centralised efficient management and operation. (5) It should bolster its corporate culture.

It was emphasised at the conference that 2013 would be a critical year for China Telecom to grab on the opportunities to realise breakthrough in economies of scale. The Company shall sustain effort to deepen corporate transformation; drive unreserved implementation of the "Three New Roles" strategy; foster scale expansion and increase operational efficiency through dual-leadership in innovation and services; adhere to the two key strategies of scale development and data traffic operation; enhance capabilities in innovation, services, centralised efficient management and operation, steadily increasing corporate and customer value.

The conference called on the Company to concentrate its efforts in six areas. (1) It should insist on the importance of both quantity and quality while accelerating the expansion of business scale. The acceleration of its mobile business and wireline broadband business should be effected by focusing on customer needs and quickening the pace of market development. (2) The Company should strengthen efforts in innovation and in venturing into emerging business areas. Efforts should be directed towards expediting the construction of intelligent pipeline and integrated platforms and expediting the development of emerging businesses while implementing further innovation in systems and mechanisms. (3) The Company should focus on critical processes and raise service standards. This is carried out not only by concentrating on critical customer touch points to improve customer experience. This is effected also by focusing on key business areas to establish comparative advantages in services, innovate service approaches, develop smart customer services, strengthen customer loyalty, enhance development quality, explore the possibility of commoditising services and raise service value. (4) The Company should focus on key areas in advancing centralised efficient operation. This will require step-by-step and stage-by-stage phasing in to maximise the efficiency of the whole network. This would also entail strengthening the centralised efficient operation of both business-driven area and management-driven area. (5) The Company should intensify synergic coordination to increase operational efficiency. This would also mean further strengthening of corporate management, continued carrying out of

management improvement initiatives, optimising resource allocation as well as the prevention and mitigation of development risks. (6) The Company should boost support and assurances as a way to foster harmonious development. This would involve carrying out anti-corruption work; boosting the building up of a management team and talent pipeline; further bolstering corporate culture; caring the staff; fulfilling social responsibility voluntarily; and creating a harmonious development ethos.