



China Telecom 2012 Annual Work Conference Highlights

On 21 December 2011, China Telecom held its annual work conference for 2012 in Beijing, where it summarized its work in 2011 and set the mission for 2012. The conference mobilized its business units at all levels and its employees to continue the deepening of corporate transformation, and strengthen operational management capabilities, while promoting full-service scale development through dual-leadership in innovation and services so as to enhance corporate value steadily. Mr. Shang Bing, Vice Minister of Ministry of Industry and Information Technology attended the meeting. Mr. Wang Xiaochu, Chairman of China Telecom, addressed the meeting, while Mr. Yang Jie, President of China Telecom, presented the work report.

The report stated that in 2011, China Telecom was led by scientific development in deepening reform, accelerating development, strengthening management and improving services, thereby comprehensively completing various targeted missions. The company's development had six main characteristics: (1) rapid development of core businesses, gaining scale continuously; (2) accelerated development of innovative businesses, with substantial progress in the strategy of the "Three New Roles" (i.e. "a leader of intelligent pipeline", "a provider of integrated platforms" and "a participant in content and application development"); (3) solid promotion of "serving the public and achieving excellence in performance" program, with significant improvement in customer service; (4) step-up in innovating the organizational structure and mechanism, further stimulating the development strengths; (5) launch of new initiatives for precision management, continuously improving the operational efficiency; (6) demonstrated care and concern for employees, opening a new chapter in the harmonious corporate development.

Over the past year, the company has progressively implemented commercial trials for the Three-Network Convergence and mobile number portability, and vigorously promoted technical improvement for energy savings as well as collaborative building and sharing of infrastructure. It successfully achieved communications assurance for the International Horticultural Exposition in Xi'an, Universiade in Shenzhen and disaster relief. It also released its social responsibility report, demonstrating its corporate social responsibility. The company's development has received a high degree of attention from all sectors of society, receiving awards and accolades from reputable domestic and foreign organizations, such as the Most Innovative Chinese Company, Asia's Best Managed Company, the Platinum Award for All-round Outstanding Enterprise, Best Corporate Social Responsibility in China, Best Listed Company and Listed Chinese Company with the Most Influential Brand Overseas.

With regard to the current situation, it was noted during the conference that the adjustment of national policies, optimization of industry structure and enhancement of corporate strength have provided favorable conditions for the promotion of its scale development. The steady and robust macro economy has provided great potential for tapping the informatization market. The commercialization of new businesses such as mobile Internet, cloud computing and Internet of Things has accelerated and provided new opportunities for expansion into new markets. The CDMA value chain and integrated operating strengths of the company have been further enhanced, laying a solid foundation for achieving breakthroughs in its scale development. On the other hand, the economic volatility, changes in policy environment, the complexity of market competition and restraints in its own circumstances have meant some challenges and uncertainties in its development.

The conference emphasized that the company will steadily implement its six key strategies of step-up transformation, service innovation, strengthening the company with its talents, technological innovation, internationalizing its operation and harmonious development. It will also further promote corporate transformation, innovate development mindset and change its mode of development, in order to take firmer steps towards its strategic objective of establishing itself as a world-class integrated information service provider. At the same time, the company will focus on enhancing its strengths in four areas, namely strength of innovation in order to create differentiated competitive advantage; strength of servicing in order to continuously increasing customer value; strength of centralized efficient operation in order to enhance centralized and unified management throughout the whole structure and strength of operation in order to continuously improve

the resource utilization and efficiency of the entire network.

The conference affirmed the development path of China Telecom in 2012. It will continue to deepen corporate transformation, strongly promote the "Three New Roles" strategy, proactively expand into emerging areas such as mobile Internet, speed up the adjustment of business structure, revitalize the effective use of various resources, and enhance the quality and effectiveness of development. Aligning with the main theme of "promoting scale development through dual-leadership in innovation and services", the company will adhere to the two key strategies of scale operation and data traffic operation management, and enhance the four strengths of innovation, service, centralized efficient management and operation, to achieve steady enhancement in corporate value.

The conference called on the company to firmly grasp the time window for putting scale development in a prominent and important position; to firmly grasp industry trends in order to accelerate the promotion of data traffic operation; to firmly grasp market demand in order to provide customers with cutting-edge products and services; and to firmly grasp the principle of return to enhance corporate value on scale development. On this basis, the company should focus on six tasks: (1) to accelerate scale development, emphasizing both quantity and quality and enhance core competence. It should adhere to accelerating the mobile expansion led by terminal devices. It should develop a superior network to accelerate the broadband development. It should focus on specific industries to accelerate the proliferation of informatization applications. It should change its mode of development in order to accelerate the expansion into small and medium enterprises and cluster markets. It should take multiple, concurrent measures to further promote data traffic operation. It should give increased support in accelerating the penetration into northern markets. It should create incentive schemes to accelerate expansion into rural markets. It should strengthen synergistic development to speed up expansion into overseas markets; (2) to break away from conventional thinking, increase the strength of innovation and expand into emerging areas. It should proactively promote the construction of intelligent pipelines, speed up the construction of integrated platforms and operate with an open attitude, enhance the strength of product innovation on contents and applications, and continue to promote innovation in organizational structure and mechanism; (3) to focus on customer experience, enhance strength of servicing and consolidate the competitive advantage. It should foster superior broadband services to sustain its leading position in the industry. It should enhance its mobile Internet service capabilities with 3G as the core. It should improve its servicing systems to consolidate and increase its fundamental service capabilities; (4) to strengthen its overall planning and centralization, increasing the strength of centralized efficient management to achieve highly-efficient operation. It should strengthen centralized efficient marketing, promote centralized efficient IT operations for the entire network, continue to strengthen centralized procurement and centralized efficient investment management; (5) to optimize resources allocation, improve the strength of operation and reinforce the fundamental of development. It should strengthen the management of terminal operation and network operation support, further deepen the sub-division of performance evaluation units and rational allocation of various resources while optimizing the performance appraisal system; (6) to reinforce support and assurance, and build a harmonious enterprise so as to promote comprehensive development. It should reinforce anti-corruption work, strengthen the nurture of leadership team and talents. It should strengthen risk management and proactively build harmonious labor relations, implementing various assurance measures and proactively fulfill its social responsibilities.