

business customers

↑ 29%

Non-voice revenue increased by 29% in 2007, representing 37% of operating revenues



Enhancing Your



Vision to Create Value



driving transformation,

driving value



driving transformation,

driving value

Enhancing business opportunities and operating efficiency of our customers



Human Resources Development

SUMMARY

Being a long-established telecommunications services company, the Company has already built up rich human resources over the years. In continuation of its strategy of attaching great importance to human resources development on the basis of an innovative human resources management system, the Company persistently deepens its system reform and mechanism innovation, strengthens the precise management of human resources and optimise the human resources structure, so as to provide the human resources support and protection crucial for the reforms of the enterprise. Pursuant to the corporate culture which values the employees as the foundation of the enterprise with joint creation of values, the Company closely connects its development with that of its employees. Through the

creation of a enterprise which values learning, the overall abilities and qualities of employees are enhanced. At the same time, the Company has strived to create an atmosphere which encourages its employees to make commitments, make accomplishments and to do their best at work, and provides its employees with room for development and mechanism for protection. As a result, the Company has gradually built up a team of specialized, professional and high-quality employees who are effectively motivated with strong execution ability to meet the requirements of corporate strategic transformation.

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EMPLOYEES DISTRIBUTION

By the end of 2007, the Company had a total of 285,105 employees. The employees' distribution was as follows:

	No. of Employees	Percentage
Management, Finance and Administration	42,211	14.8%
Sales and Marketing	147,878	51.8%
Operation and Maintenance	93,731	32.9%
Research and Development	1,285	0.5%
Total	285,105	100.0%

CORPORATE-EMPLOYEE RELATIONSHIP

The Company attaches great importance to the communication between the management and its employees. In 2007, the Company reinforced its communication and information exchange with its employees by various means, enhancing the employees' unified recognition and understanding of the corporate transformation strategy. Through specialized discussions between the management and the entire workforce on corporate development environment and transformation strategy, the management and employees have had active interaction and communication. For young employees, the Company has organised "face-to-face" dialogues, in which the management and the heads of provincial subsidiaries in the eastern, central and western regions of China had comprehensive exchange with the young employees in relation to corporate management, business development and technological trends. As a result, the passion and creativity of the young employees was encouraged. Labour unions have been playing a very important role in improving the corporate-employee relationship. Insisting on

the principle of "covering the interests of all parties", the labour unions put emphasis on the simultaneous growth of the Company and its employees, pay attention to staff welfare and strive to promote employees' values. To help employees enhance their business skills and adapt to the requirements of corporate strategic transformation, the Company has organized training on new businesses and new technologies, and carried out on-the-job training and job-skill contests. It has also organized skill competitions on broadband maintenance services, sales of corporate information products, and innovations on Internet services and value-added products, hence establishing a platform for improvement. Based on the management concept of "human resources as foundation", the Company has enhanced management standards and created a harmonious working environment for its employees. The Company cares about the physical and mental health of its employees, and has established a poverty-assistance mechanism to solve their daily life problems such as paying medical expenses.

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The Company has promoted the learning of the legal regulations including the Law of the People's Republic of China on Employment Contracts (hereinafter the "Law on Employment Contracts") among its employees. The Company has coordinated the participation of its employees in amending the labour management regulatory system in accordance with the Law on Employment Contracts through different means, such as employee representative conferences. This resulted in an improvement of the collective negotiation power of the Company and labour unions (employee representatives), amendments on the "Collective Contract", reinforcement of supervision and inspection, implementation of employee welfare such as remuneration, training and rest, and guidance to assist employees in the signing of employment contracts.

To continuously meet the requirements for establishing "a new model of corporate-employee relationship which is standardized, fair, reasonable, mutually beneficial, harmonious and stable", the Company has strengthened the coordination of labour relations and promoted corporate democratic management. With employee representative conferences as the basic framework, the Company has improved the corporate democratic management system, in which all its subsidiaries have established their employee representative meeting systems.

The Company attaches great importance to the promotion and protection of employees' health and safety. In respect of employee healthcare and welfare, the Company has implemented a

regular health check program for its staff and will annually increase the examination items in the program. It has also established and interests clubs for employees' various hobbies to ensure both their physical and mental health. In addition, the Company has carried out regular inspections on production safety to ensure the safety of employees.

STRENGTHENED HUMAN RESOURCES

1. Vigorously strengthened development of senior management team and improved corporate leadership capability

In line with the requirements of scientific development views and corporate transformation, the Company has further developed the leadership on the basis of "Four Excellence" (excellent management skills, excellent operating performance, excellent team cooperation and excellent style image) in order to elevate the competitiveness and cohesiveness of all levels of management and promote the operational development of the enterprise. By adding the key competence indicators (KCI) and exploring the approaches for individual competence assessment in accordance with the expertise of the leading team members, the Company improved the appraisal work, appraisal indicators and assessment approach for the job execution behaviour of the leading team members. Additionally, to strengthen the management of successors, the Company has established a comprehensive database of future leaders.

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2. Coordinated and optimised allocation, focused on exchange and complement, and invigorated human resources

In accordance with the new requirements of corporate transformation on human resources, the Company has reinforced the development of talent teams for IP, IT and information operation in order to further optimise the allocation of sales and marketing services staff for government and enterprise customers of the Company, and speed up the development of a professional talent team for transforming businesses. To build up an overseas talent team, the Company has organised and implemented an overseas talents scheme in 2007 for the replenishment and expansion of talent base in a timely manner, and for the support to the talent requirements arising from the rapid development of overseas businesses. As an important innovative measure for cultivating talents, the Company has initiated corresponding talent exchange amongst the branches of the five provinces in the west and the other five in the east, broadening the talent training channel and encouraging experience exchange and knowledge sharing between the enterprises in the east and the west.

3. Standardized employment, improved position segmentation, and intensified sourcing for experienced talents

The Company has standardized labour management and deepened the reform on employment systems. Pursuant to the

requirements of the Law on Employment Contracts, the Company has improved the system and workflow for the management of employment, standardized and reinforced the employment management in accordance with the law, reduced the risk of employment and established a harmonious labour relationship. On the other hand, the Company has also intensified the recruitment of experienced talents, especially in the areas of IP, IT, information operation, new businesses and capital operation. In 2007, the whole group recruited more than 1,400 experienced talents from the labor markets.

4. Improved the training system, speeded up the establishment of a "learning enterprise", and adopted various measures to enhance overall staff qualities and abilities

To accelerate the progress of establishing a learning enterprise, invigorate the pro-activeness of learning among employees, and enhance the overall qualities and abilities of employees, the Company has continued to carry out the acceptance work on the first phase of innovative development activities for the subsidiaries of the Company in the six provinces, namely Xinjiang, Chongqing, Gansu, Shaanxi, Guangxi and Hainan. In respect of leadership development, the Company has actively explored new training approaches to further enhance the effectiveness and suitability of the training. With the introduction of an action-oriented learning approach, the

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training programmes integrated theories, practical exercises and summary reporting. In the course of training, the participants have been actively guided to conduct effective discussions to address the problems in corporate transformation with the application of the learned theoretical knowledge, tools and approaches, inspiring the participants to have a mind-provoking study on how to implement the transformation strategy of the Company. Through well-planned and customised leadership trainings, the Company has effectively elevated the leadership caliber of its middle and senior management, deepened their understanding of the corporate strategy and improved their systematic thinking, team cooperation and execution ability.

In addition, the Company has also extended the application of E-University and actively initiated pilot test for online job skills certification. In order to standardise the E-University's workflow for job skills certification and establish an online examination paper database, examination system and certificate management system, the Company has achieved successful results after its implementation and expansion of the pilot tests. Job skills certification is an important means for building up the capability of the Company's employees and enhancing the competency of employees in different positions. Meanwhile, online certification has further reduced the management cost of certification, enabling a closer linkage between certification and training

workflow and increasing the customisation of trainings. At the same time, it has also facilitated the Company's consolidated and precision management.

Focusing on the corporation transformation, the Company developed and customised different trainings to improve the competency of its employees. As of 31 December 2007, there were 207,689 employees participating in training, accounting for 72.8% of total employees, with an average training duration of 8.48 work days per employee.

In 2007, the Company fully utilised the China Telecom E-University platform and actively arranged employees of all levels to participate in online learning. As of 31 December, the average cumulative online learning hours per participant of the China Telecom E-University were 98.35 hours for the year. The E-University currently has 5,580 electronic courses and 2,833 corporate case studies, which meet different learning and training needs of employees of different positions.

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- **Customised training for the management team**

To further improve the leadership and relevant professional capability of senior management of all levels, the Company has organized a series of customised trainings. For senior managers, the Company has organized three sessions of leadership development training, the second phase of training for senior finance and audit managers and training for disciplinary supervisors. To enhance the brand management capability of senior managers, the Company has organized two sessions of training for brand operation and transforming businesses. On the other hand, to improve the management capability of junior management, the Company has organized six sessions of operation management training for chief

officers of the counties (districts). To improve the human resources management mindset and capacity of the managers in the headquarters, the Company has held three sessions of human resource trainings for the managers.

- **Trainings for professionals**

To meet the demand for talents in support of the development of corporate transforming businesses, the Company held four sessions of training for information operation talents, in order to nurture a group of professionals who are familiar with the latest comprehensive media operation model and development strategy, and the management practices of comprehensive media companies. A total of 150 employees from different provinces, comprising the provincial chief officers, business divisions' heads and core talents of the Best Tone business, participated in the training.



Employees were participating in professional human resources management training

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5. To ensure effective motivation and retention of talents, the Company continues to improve the remuneration and performance appraisal mechanism

The Company continues to reinforce and implement the operating performance-linked total remuneration decision mechanism to continuously enhance the effectiveness of resources allocation. It emphasizes remuneration to be determined by corporate effectiveness and staff performances, and be allocated to the employees on a strict performance appraisal basis. With scientific approach, reasonable weightings between position-salary and performance-salary for different job positions are determined. Taking into consideration their own business characteristics, business units implement different allocation incentives, such as output-based wage system, negotiated wage system and commission-based system, in eligible positions. A remuneration system framework integrating short, medium and long term incentives on the basis of position pay-scale, performance pay-scale and corporate annuity has basically taken shape over the past few years. This system plays an important role in attracting, retaining and motivating outstanding talents for the Company.

EMPLOYEE WELFARE SAFEGUARD

All business units of the Company have implemented a standardised employment, position and remuneration mechanism to all the employees. The present remuneration system of the Company is based on a position pay-scale basis. The salaries of staff are determined with reference to their positions and performances. The Company offers equal payment for equal work. The Company has no discriminative policies on employment such as gender discrimination.