

Human Resources Development Report

Summary

In 2008, the Company's human resources centered around the strategy of "Customer-focused Innovative Information". Through the effective removal of the obstacles that restrain corporate development and the pro-activeness of employees, the role of the Company's human resources management system is reinforced in promoting the goal of "people-based and promotion of strategic transformation" and "control of employee numbers, adjustment of structure, enhancement of efficiency and improvement of energy", ensuring the function of human resources management in supporting corporate transformation and full services integrated operations. The Company focuses on the demand of different types of customers and provides diversified, systematic package solutions for the management of job positions, the remuneration system, performance management, as well as the training and development of employees. Based on the opportunity brought about by the implementation of the "Labor Contract Law" and the "Regulation on the Implementation of the Labor Contract Law", the Company continues to improve flexible recruitment and dismissal, actively exploring various models of employment, business outsourcing and external cooperation, while at the same time applying different human resources strategies for different job positions to support the strategic transformation and full services integrated operations. In addition, the Company further perfected the allocation model for labor costs to reinforce effective motivation under the remuneration appraisal mechanism, tilting resources towards high return services and transformation businesses, and towards key areas and business units. Focusing on key transformation business departments, the Company has pushed forward the strategic adjustment of its human resources system and carried out staffing in key job posts including sales and marketing, products development, wireless network planning, construction and maintenance, corporate information services as well as terminal management to meet the demand for human resources under full services integrated operations. Furthermore, the Company has smoothly transferred the employees from China Unicom in a well-prepared manner, achieving fruitful results and accomplishing its desired purpose.

Employees Distribution

At the end of 2008, the Company had a total of 314,541 employees. The employees' distribution was as follows:

	No. of Employees	Percentage
Management, Finance and Administration	49,441	15.7%
Sales and Marketing	161,547	51.4%
Operation and Maintenance	101,956	32.4%
Research and Development	1,597	0.5%
Total	314,541	100%

Corporate-Employee Relationship

Communication between Management and Employees

The Company attaches great importance to the relationship between the management and its employees and has put ample efforts into building a harmonious enterprise. Through various methods such as interacting with the frontline staff and holding forums, the Company's management reinforced its communication and information exchange with its employees, enabling their better

understanding of the Company's strategic transformation under full services integrated operations. For young employees, the Company continued to organise a series of "face-to-face" dialogues with the theme of "Remarkable 2008, Remarkable Telecom People". Outstanding people who have contributed to the fight against blizzards to maintain telecommunication infrastructure, the rescue of victims during earthquakes, volunteering at the Olympic Games, and full services integrated operations in 2008 have been invited to share their experience with young employees to foster their belief in "sharing a common goal" with the Company.

The Company has set up a mechanism for employees to express their ideas and appeals, including using the Internet and regular face-to-face meetings as platforms to enhance two-way communications between the Company and its employees. The Company has also carried out an employees' satisfaction survey to gain a better understanding of the employees' views and suggestions. A timely analysis and action will be conducted to improve the unsatisfactory areas. The mechanism serves as a rational channel for employees to provide constructive recommendations for the Company.

Role and Duties of Labor Unions

Insisting on the principle of "promoting corporate and employee development" and the management concept of "concentrating on key areas, serving the overall situation, highlighting employee rights, and focusing on participation", the labor unions play an irreplaceable role in the Company's business management, corporate reforms and full services integrated operations. In promoting corporate development, the labor unions have organised job-skill contests, carried out technological innovation and collected rational recommendations from employees in order to achieve successful results. In promoting employee development, the labor unions provided job training, job-skill competitions and activities to establish a "learning team" to enhance employees' business skills and assist them in adapting to the requirements of full services integrated operations. The labor unions also participated in the decision-making process related to employees' benefits and establish rules to cultivate harmonious and stable labor relations. Furthermore, the labor unions cared about the work and personal life of employees, assisting them in solving their daily life problems to build a mutually beneficial platform for the realisation of simultaneous growth for the Company and its employees.

Coordination and Communication between the Company and the Labor Unions

The Company has reinforced the coordination and communication with the labor unions in 2008. In order to develop full services integrated operations and mobile services, the Company has coordinated with the Work Skill Contest Committee to carry out a total of 150 competitions for employees. As part of the successful implementation of the labor laws and regulations such as the "Labor Contract Law" and the "Labor Dispute Mediation Arbitration Law", the labor unions have strengthened their participation in the Company's human resources management and coordination of labor relations to meet the requirements of establishing "a new model of corporate-employee relationship which is standardised, fair, reasonable, mutually beneficial, harmonious and stable". They have also reinforced the coordination and communication with the Company in perfecting its employee management system, and improving the settlement of labor disputes through the assistance of the Labor Dispute Mediation Committee. Furthermore, in order to have a sound and fair system on the "Collective Contract", the labor unions have strengthened coordination between the Company and its employees specifically in areas such as employees' leave and holidays, learning and training, performance appraisal, etc. In an attempt to standardise human resources management, the Group Company and the labor unions have jointly amended the "Interim Measures for Management of Employee Representative Meeting for on Provincial Companies" and "Measures for Management on Skill Contests" in order to set up a clear mechanism and specific responsibilities.

Caring about Employees

In times of earthquakes and blizzards, the companies at all levels and the labor unions were greatly concerned with the suffering of employees in the disaster-affected areas and had taken timely and effective measures to help these employees with supply of food, medicines, tents, clothes, etc. and also to make every effort to solve their daily life problems. The Company has also provided psychological rehabilitation services for the affected employees, appealed for other employees to actively participate in disaster relief work, with a donation by its employees of more than RMB80 million to disaster-affected areas.

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The frontline staff of Best Tone attended the operation training

The Company has set up a “Happy Birthday System” for employees, and vigorously carried out “Share Warmth” activities during the Chinese Lunar New Year and critical stages of the Company’s production and operations, as well as visiting and comforting employees in difficulties, the frontline staff and retired employees. In order to create a favorable working environment for its employees, the Company has promoted the construction of small canteens, small bathrooms, small washrooms, small activity rooms and small libraries for employees’ conveniences in remote areas with limited means. The Company has also pro-actively set up a mechanism to assist employees in need in improving their living standards. In conjunction with daily activities, the Company pro-actively carried out cultural and sports activities such as “Fitness day”, “Culture and Sports for Every Employee”, “Lifelong Investment in Health” to enrich spiritual and cultural lives of employees and to promote a healthy lifestyle.

Following the restructuring of the telecommunications industry, the Company was joined by a group of staff from China Unicom. The Company attaches great importance to team integration. The Company has strengthened its harmonious labor relations by creating a pleasant working environment and constructing a friendly work culture through the timely arrangement of “We are a family”, “Let’s embrace once again” activities. It is expected that these activities will unite employees and stimulate their passion and enthusiasm in work so as to contribute to the establishment of a harmonious enterprise.

Strengthening Human Resources

The Company has undertaken various measures to attract and retain talents. In order to meet the demand for human resources under strategic transformation and full services integrated operations, the Company has intensified the recruitment of experienced talents from society, with a focus on the development of strong teams for its IT, IP, information services, mobile and capital operations as well as recruitment of talents for overseas business operation. In 2008, the Company recruited more than 3,360 professionals in the areas of IT, IP and information services and more than 480 network optimisation personnel. The Company also continued to replenish and expand its overseas talent base to ensure qualified personnel for its full services integrated operations and the expansion of overseas markets.

The Company has always placed the strengthening of leadership at the core of talent cultivation under strategic transformation, and has pro-actively pushed forward advanced training for managers. In 2008, the Company organised one session of training for its general managers in provincial branches, one session of leadership development training and three sessions of training for general managers in local branches, continuing its effort in promoting customised training programs for managers at the local branch level and at the provincial branch level. A customised training program for the “Three Levels of Managers” (District, Branch district, and Workshop) was also launched.

The Company attaches great importance to upgrading the skills of its professional staff, systematically enhancing their job competency to prepare them for full services integrated operations. In 2008, the Company organised intensive trainings for its employees customised for its mobile businesses operations, CDMA business platform, network optimisation and maintenance as well as IT support. At the same time, the Company also organised a series of training sessions on practical operations and business process for frontline customer services personnel and IT technicians, as well as pro-actively arranging training on techniques and knowledge of the mobile business for employees.



China Telecom Shanghai Branch held a regular interactive discussion forum with employees

In accordance with the corporate principle of “salaries based on performance, efficiency first and fairness ensured”, the Company has set up a mechanism that the growth of personnel cost and total amount of salaries correlated with corporate earnings’ growth for branch companies, and has continuously modified and adjusted it in practice. The Company implemented a strict performance management system, with KPI-based performance appraisal mechanisms for its employees. Each level of the assessment are implemented accordingly to ensure that each employee has his or her own specific performance indicators. The results of the performance appraisal are effectively applied to various areas including adjustments in job post-based salaries, performance salaries, promotions, training, redeployment and transfers. The integration of the performance appraisal with operating performance and capacity improvement program serves as an effective way

to enhance the capacity and performance of employees. According to the corporate principle of being “objective, fair, democratic, open, and performance-oriented”, the Company carried out open recruitment and competitions for job vacancies, and built up job posts-centered management with flexible promotions and degradation and flexible recruitment and dismissal for the scientific and rational allocation of human resources.

Restructuring Enhanced the Competitiveness of Employees

In the second half of 2008, the Company acquired China Unicom’s CDMA mobile telecommunications business. About 30,000 staff from China Unicom joined the Company following the restructuring, strengthening the competitiveness of the Company’s employee base in the following aspects:

In respect of cultural integration, the redeployed employees based in southern part of China were able to adapt quickly to the main culture of the telecommunications industry due to their relative small scale. Comparatively more employees were redeployed in northern part of China. Due to the cultural convergence between North Telecom and China Unicom, which are both entrepreneurial and competitive, employees retain a strong sense of identity for themselves to integrate rapidly within a short period of time, focusing on corporate operations and development.

In respect of human resources management, the Company implemented a unified human resources management mechanism and ensured a stable and active employment team. This proves to be highly efficient in team building with satisfactory results for the smooth redeployment of staff from China Unicom.

The Company’s personnel structure has been optimised. There is a high proportion of technicians out of the redeployed employees. Based on the requirements of the organisational structure under full services integrated operations and in accordance with the corporate principle of “complementary advantages, rational allocation, effective and efficient human resources integration”, the Company has carried out the reasonable allocation of human resources. The Company specifically strengthened the large-scale training for its mobile operations, launching a planned redeployment of wireline employees to mobile services based on the need of the full services integrated operations, while at the same time carrying out large-scale recruitment of professionals for wireless network optimisation based on the corporate principle of “Quicker and Earlier Recruitment”. Through the above initiatives, the human resources structure of the full services integrated operations has been optimised, satisfying the need of full services integrated operations.

Protecting Employee Welfare

The Company strictly follows the laws and regulations stated in the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China” to standardise employment. The Company offers equal payment for equal work. The Company has no discriminative policies on employment such as gender discrimination. The Company does not employ child labor or forced labor.