



## Human Resources Development

In 2006, in order to accommodate our strategic goal of transforming into a “Broadband communications and Multi-media Services Provider”, the Company further optimize in areas such as our organizational structure, operational process, remuneration and performance evaluation as well as staff training, with a view to enhancing the value of our human resources, improving job satisfaction of our staff and continuously improving our capability in implementing our strategies, so as to facilitate a successful transformation.

### Employees

As of December 31, 2006, we had 140,747 full-time employees, representing an increase of 1.67% over the same period of last year; 55,416 temporary staff, representing a decrease of 8.44% over the same period of last year.

### Remuneration and performance evaluation

In 2006, with operations and staff incentive as the widening principles, we devoted more efforts to refine our management of staff costs in a more precise manner. We established a remuneration incentive system for our frontline sales and maintenance staff. We implemented a quantitative performance management model, which separates our strategic goal into small tasks and assign them to every single staff at every level. These have ensured strategic synergy of the entire organization with the effect of catalyzing a more proactive attitude among our staff.

Furthermore, in order to better meet the needs of our operations and management, the Company established in 2006 a unified performance-oriented remuneration system based on different positions.

### Staff development and training

The construction of a unified bureaucratic system and a model on capabilities and caliber was important measure on our human resources in 2006, which facilitated our business transformation. The new bureaucratic system is a market-oriented mechanism to optimize deployment of our human resources and to provide strong support for realization of our strategic goals. Also, the new bureaucratic system has changed the mode of staff promotion based on administrative decisions into two-way promotion channel. This will help plan and guide the occupational development of our staff in a reasonable manner and provide them with all-dimension development and promotion opportunities.

Our transformation and the rapidly evolving telecommunications industry drive the staff training to be an effective way to further improve our staff's job satisfaction and to facilitate our reform. In 2006, staff training sessions were carried out to address issues including our strategic transformation, improvement in expertise and learning from advanced international experience.

- we conducted training sessions for 555 middle-to-senior level management staff on financial knowledge and management transformation. Through the training, they acquired systematic understanding of the significance, the implications, the objectives and the steps of our transformation. The training allows them to think from a new perspective, thus enhancing the standard of our management to meet the needs of our transformation and reforms;
- we organized special training sessions attended by an aggregate of 1,600 persons, helping to enhance professionalism of the attendees in various relevant professional areas.
- To increase the staff's exposure to best management experiences overseas, we made more frequent exchanges with well-known overseas telecommunications operators. We entered into staff exchange agreements with Telefónica Internacional, S.A., Hong Kong PCCW Limited and Korea Telecom. Eight middle level employees were sent to work in other international operators to learn from them advanced experiences including corporate governance, mobile operations, sales and marketing, sales to key customers, network operation and maintenance.





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### Establishment of the senior management team and nurturing of talents

The management of our provincial companies represents core strength in our operations and management. In 2006, the Company adjusted and optimized the composition of management and back-up teams based on their performance. We also created a back-up team for our provincial company management with nearly 100 selected staff of high caliber as our talent pool.

### System construction and management enhancement

Construction of a staff information system is an important method we used to achieve our refined management of human resources and to increase management efficiency. In 2006, our information management system for human resources commenced operation. This will significantly improve the accuracy and timeliness of interaction of staff-related data. The system has achieved the goal of standardizing, unifying and enhancing transparency of our human management.

### Future prospects

In 2007, the Company will implement in full force the unified bureaucratic system, the capability and calibre model and the remuneration incentive system. Meanwhile, we will further improve our recruitment system and strengthen training of our management executives and core staff, thereby building up a team with superb technical and execution skills to support our successful strategic transformation.

