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Building And Intellectual Property Protection
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**Paper
Three Major Strategies for the ICT-enabling
Environment**

Three Major Strategies for the ICT-enabling Environment

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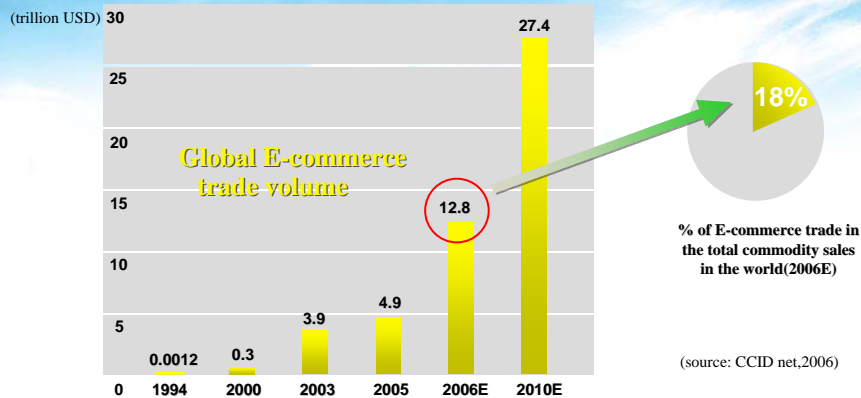
Contents

I Informatization: foundation of E-commerce

II CNC: building ICT-enabling environment for E-commerce

III CNC: promoting the sustained development of E-commerce

E-commerce: important driving force for economic growth



- The global E-commerce trade volume increased from 1.2 billion USD in 1994 to 4.9 trillion USD in 2005.
- The global E-commerce trade volume was expected to hit 12.8 trillion USD in 2006, 18% of the total commodity sales in the world.
- E-commerce, as a brand-new and huge industry, will force the traditional ones to carry out restructuring and reform and promote the upgrading of industries, thus driving the economic growth in the future.

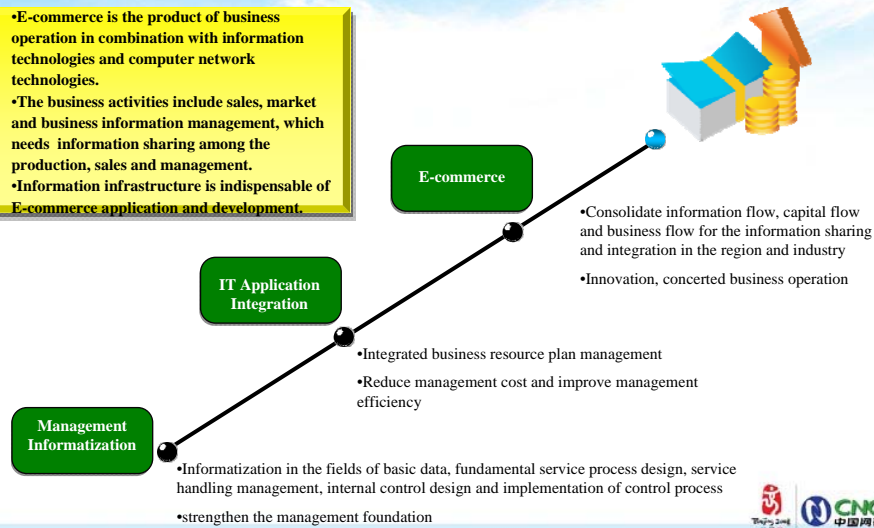


E-commerce: changing the operational mode of the enterprises and producing in-depth influence on people's way of work and living



ICT applications for Enterprises are the foundation of E-commerce

•E-commerce is the product of business operation in combination with information technologies and computer network technologies.
 •The business activities include sales, market and business information management, which needs information sharing among the production, sales and management.
 •Information infrastructure is indispensable of E-commerce application and development.



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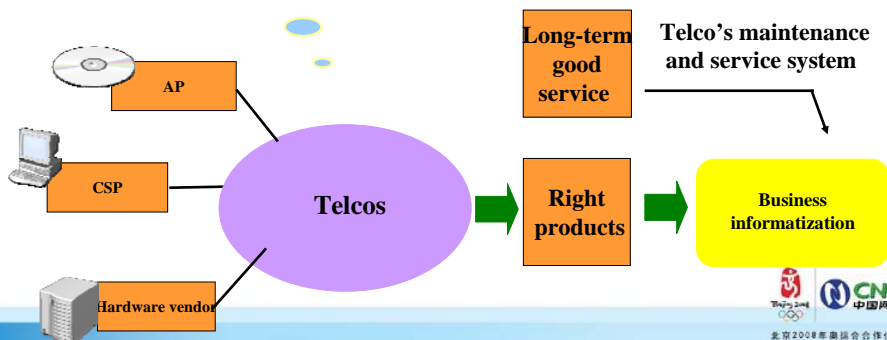
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Telecom operators are the main driving forces of informatization

Telcos are capable of industry chain consolidation

Telcos are the dominant IT players

- Well-established communication infrastructure
- Sound service brand
- Good-quality professionals
- Rich experiences in communication service, software development and system integration



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CNC has the strength to promote informatization

1 Background

- Approved by the Telecommunication System Reform Scheme (Guo Fa [2001] No.36) issued by the State Council
- Established on May 16 2002

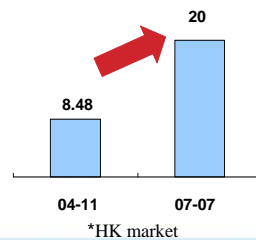
2 Capital and assets

- Registered capital of RMB 60 billion yuan
- Approximate RMB 300 billion yuan assets

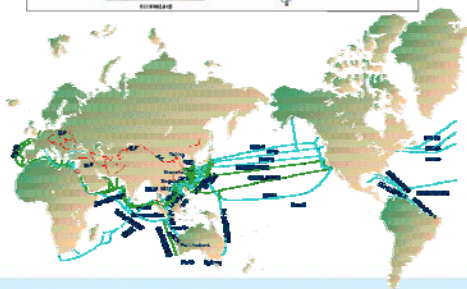
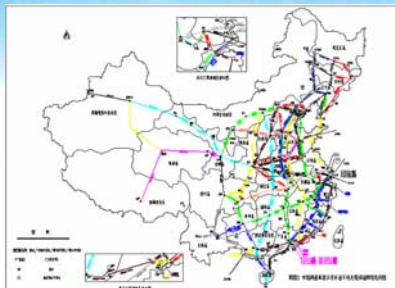
3 Capital market performance

- Listed in red chips on Hong Kong and New York Stock Exchanges in Nov.2004
- Being included in the Hong Kong Hang Seng Index Component share in March 2006 (one year ahead of the schedule)
- Business revenue of RMB 87.9 billion yuan in 2006

CNC's share price (in HKD)



CNC's broad network and huge customer base



Communication network

- Backbone network covering the whole country
- Good user access network
- Double plane networks oriented to public and business customers, providing differentiated broadband Internet service
- Interconnection with the major telcos in the world, with network reaching over 200 countries and regions

Customer base (by the end of 2006)

- Local telephony (including PHS): 115 million
- Broadband access users: 15.08 million
- Key-accounts: over 70,000

Service system (by the end of 2006)

- Business outlets: over 12,000
- Community managers: over 40,000
- Customer service seats: over 6,000

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CNC's Three Major Strategies and Business Vision

Long-term Vision by 2020 : broadband leader and world-class telecom carrier

CNC's Strategies

Broadband

Internationalization

Olympics

Overall targets from 2006 to 2010 :

To be the broadband and multimedia service provider featuring complete range of services, best service quality, stable network operation, modern corporate governance system and coordinated and sustained growth

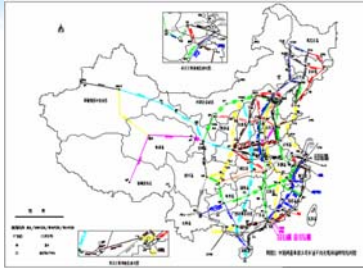


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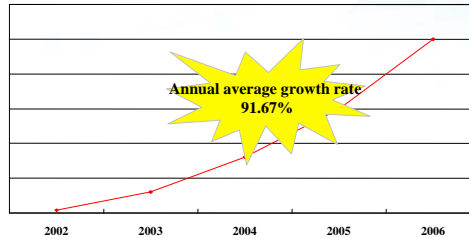
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Implement “Broadband Strategy” in a step-by-step way for the fast growth of broadband business

1 1st stage (2003-2005): to build network infrastructure and expand customer base



CNC's plan of ADSL subscriber growth from 2003 to 2006



2 2nd stage (2006-): promote content service and transform operational mode



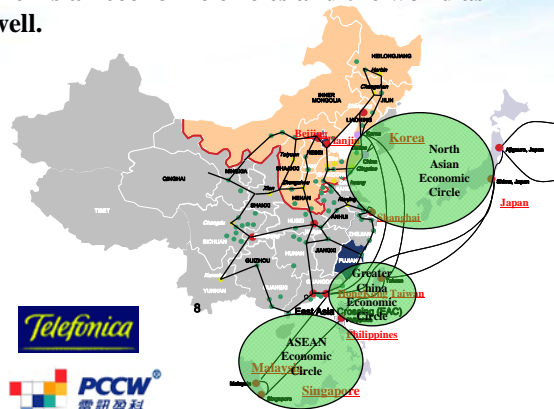
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Internationalization strategy: interfacing with the international community in both directions

Background

- Economic globalization is promoting the information globalization and integration
- New technologies make the global involvement possible

Based on the Chinese market, CNC will serve the Asian economic circles and the world as well.



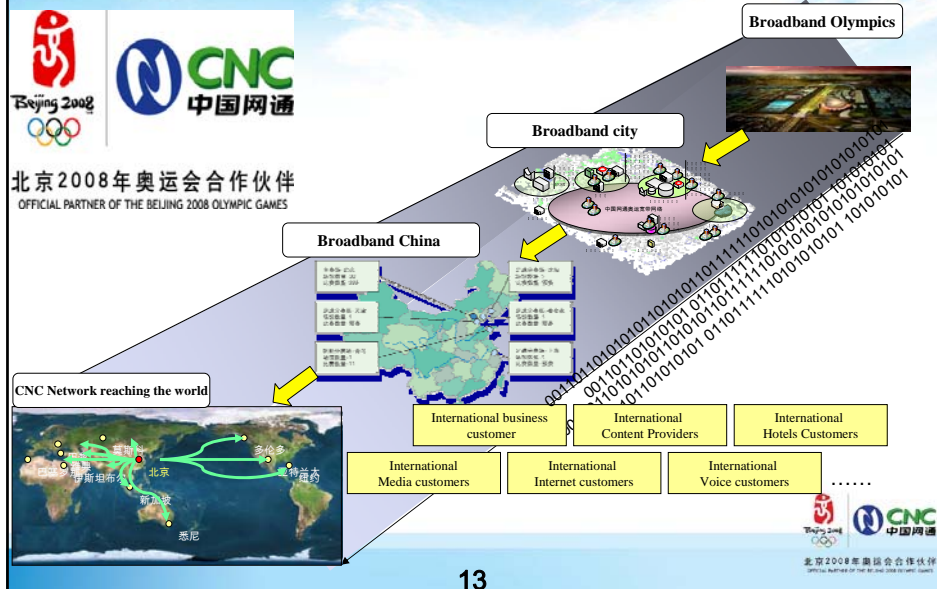
Targets

- Enhanced international business cooperation to promote the economic globalization
- Expanded international market to better serve the worldwide Chinese
- Application of new technologies to improve people's life

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Leveraging the Olympics to speed up the implementation of broadband and internationalization strategies



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Broadband Olympics Concept

Broadband Olympics

To build a network-based platform for people to communicate freely, get to know the Olympics, participate in the Olympics, contribute to the Olympics and grow together with the Olympics.

To best meet the customers' demands for stable, secure and easy-to-use communication services through the advanced technologies and best quality service.

Broadband Olympics provides the strongest support to the "High-tech Olympics".

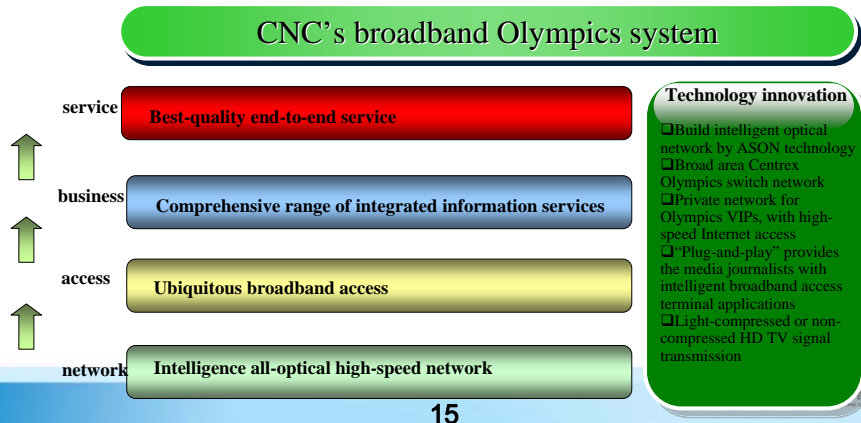


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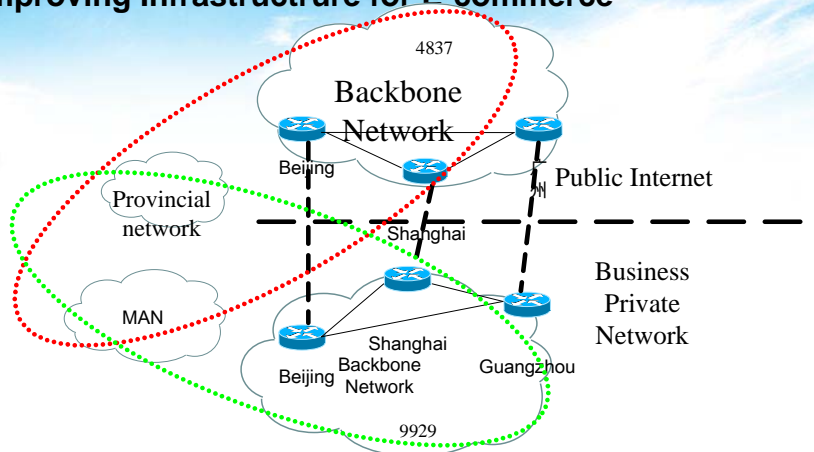
Way to Broadband Olympics

Enable the customers with stable, secure and easy-to-use communication services

Faster service response, higher network access speed and stronger service capability



(I) Building Broadband Network and Continuously Improving Infrastructure for E-commerce



•Two IP broadband networks have been built: CHINA 169 for public users and CNCNET for business customers. International interfaces are located in Beijing, Shanghai and Guangzhou.

•Two separate networks for different needs of public users and high-end users.



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(II) Accelerating the Building of Public Information Service Platform, and Promoting ICT Development of SMEs



- Information service expert
- Upgrading customers' business

Construction model

“standard model+customization”

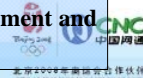
Operation model

“single interface to customers”

“business IT expert”

- SME ICT brand——“CNC Connected”
- Business ICT applications such as CRM, OA, and order, sales and inventory management.
- According to business feedback, such services improved their management and competitiveness.

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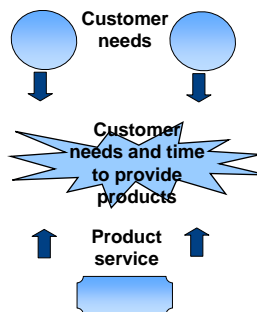


(III) Customized ICT Solutions for Large and Medium-sized Businesses

China Network Communications
 The expert of ICT
 Your Network Information Expert



Defining Vertical and Customer Needs

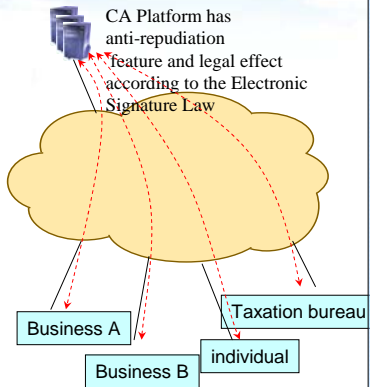


Develop ICT Product Series

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(IV) Building CA Platform and Business Information Security System



- Security is key in E-commerce
- Security technologies and CA mechanism have to be improved to promote E-commerce
- CNC has built a complete and independent CA Platform and passed the security examination of related state authority, ready to guarantee e-commerce security.

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Successful Cases



Products and projects developed by CNC passed the initial test of e-commerce projects organized by NDRC in 2006

- Jiang Su : Third Party E-commerce Transaction and Service Platform of Chemical Industry
- He Bei : SME Public ICT Service Platform
- Shan Xi : Zhong Tai e-commerce Project for Coal Transaction
- Ji Lin : Third Party E-commerce Reputation Information and Application Platform

Shan Xi

- CNC undertook the Coalmine Gas Measurement and Monitoring Network Project of Shan Xi Province to install coalmine gas monitoring systems in working faces of coalmines with high production and high gas. As a result, mortality per 10,000 tons in the coal industry in Shan Xi dropped to less than one person, representing the best ever record.
- Resources consolidation and information sharing provided complete, timely and correct information to guide decisions on coal production and sales, security monitoring and government's macro control , It also helped cracking illegal coalmines, consolidating coal resources and improving industry concentration and quality.

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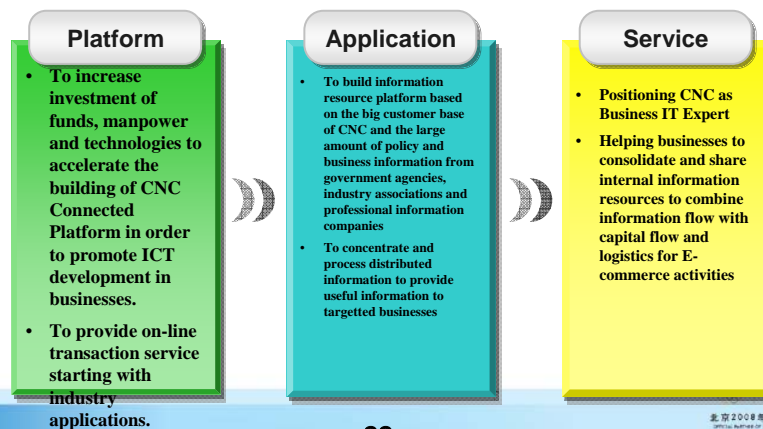
III CNC: promoting the sustained development of E-commerce



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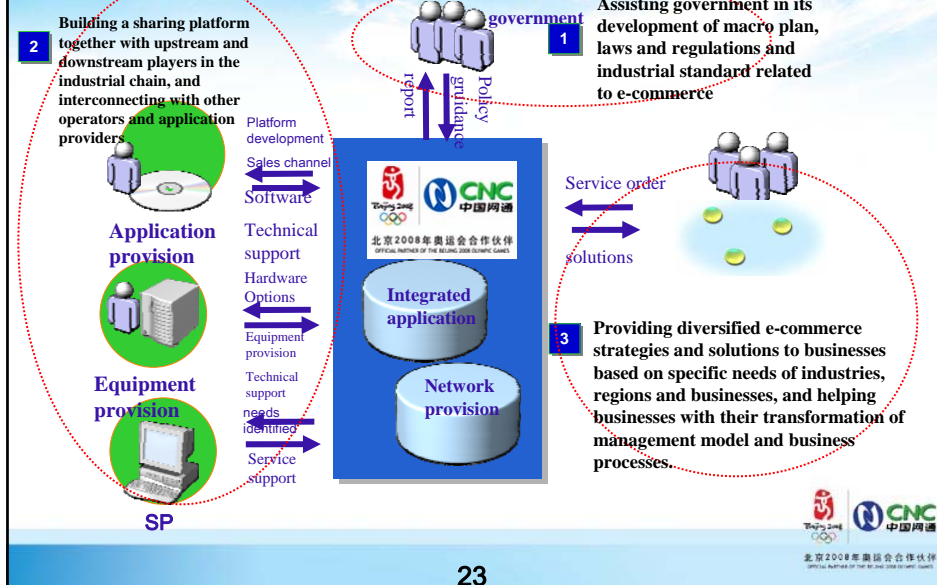
(I) Building E-commerce Transaction Platform and Information Resource Platform

Transaction platform is where the e-commerce is conducted and information resource platform is the driving force. Only with such platforms, can users acquire and share information easily and faster through various channels to make B2B and B2C transactions. Greenpath for Order Business will be set up on the platforms.

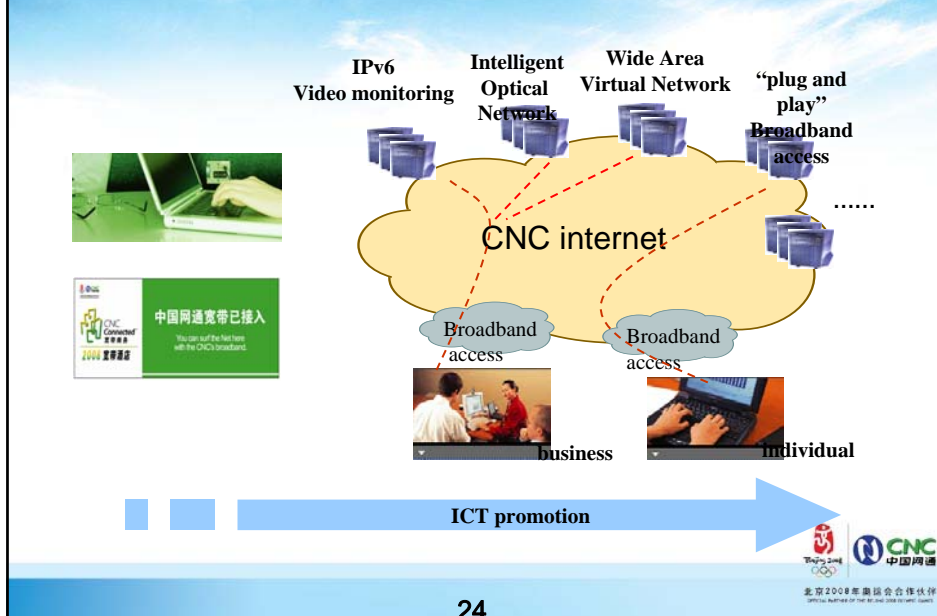


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(II) Better E-commerce Environment through Synergy of Various Links of the Chain



(III) Continue to Innovate and Provide the Most Advanced Communications Technologies and Services for Business ICT Development



(IV) Focus on Key Industries and Regions and Deepen E-commerce Development

Make an overall plan and implement it step by step with focus on key industries and regions

Expand e-commerce experiences in key industries and regions to other industries and regions



Focus on industries where e-commerce can play its full role, e.g. banking, civil aviation, securities, foreign trade, retail, software and book sales



Focus on regions that are more developed in economy, have higher ICT level and higher demands for e-commerce.



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Thank You

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