

Report of the Supervisory Committee

During the reporting period, all members of the Supervisory Committee acted in accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, followed the principles of integrity and diligently carried out their supervisory function to safeguard the interests of the shareholders, the Company and the employees.

I. The work status of the Supervisory Committee of the Company

During the reporting period, the Supervisory Committee held two meetings. At the second meeting of the Sixth Session of the Supervisory Committee held on 20 March 2018, the Supervisory Committee reviewed and approved five agenda items, including the financial statements for the year 2017, the auditor's report issued by the external auditors, the profit distribution and dividend proposal, the Supervisory Committee's report for the year 2017, the working plan of the Supervisory Committee for the year 2018, and passed the relevant resolutions. Regarding profit distribution and dividend proposal, internal control formulation and connected transactions, the Supervisory Committee has communicated with the Finance Department, Internal Audit Department and external auditors and raised certain recommendations. At the third meeting of the Sixth Session of the Supervisory Committee held on 13 August 2018, the Supervisory Committee reviewed and approved the interim financial statements of the Company for year 2018 and the review report of the external auditors, and passed the relevant resolutions. Regarding the Company's operating results, the review of the interim financial statements and connected transactions, the Supervisory

Committee has communicated with the Finance Department, Internal Audit Department and external auditors and raised certain recommendations. During the reporting period, members of the Supervisory Committee supervised the major decision-making process of the Company and the performance of duties by the members of the Board and the senior management through their attendance at the relevant Board meetings and Audit Committee meetings.

II. The overall assessment of the operation management and performance during the reporting period

The Supervisory Committee believed that during the reporting period, all members of the Board and members of senior management have complied with rules and regulations, upheld the principles of diligence and integrity, safeguarded the interests of shareholders, fully fulfilled their responsibilities in accordance with the Articles of Association of the Company, diligently implemented the resolutions of shareholders' meetings and the Board meetings, and strictly complied with the relevant regulations governed for listed companies. The Supervisory Committee has not observed any behaviours that breached the laws, rules and Articles of Association of the Company, or damaged the interests of shareholders.

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During the reporting period, the Company grasped the opportunities arising from the development of digital economy and rode on the tide by leveraging the precision insights into market trends and customer demands. With deepened implementation of step-up transformation, promotion of reform and innovation on all fronts, and proactive accumulation of 5G capability, the Company accelerated the development of new impetus, effectively responding to the complicated and challenging external environment, as well as increasingly fierce competition and achieving new breakthroughs in expanding the business scale while firmly elevating the corporate value. In 2018, the operating revenues of the Company amounted to RMB377.1 billion, of which, service revenues amounted to RMB350.4 billion, representing an increase of 5.9% over last year (if excluding the impact of the application of International Financial Reporting Standard 15 for the current year, it represented an increase of 7.2% over last year), with revenue growth surpassing the industry average for many consecutive years. Revenues from emerging businesses accounted for 51.9% of service revenues, representing an increase of nearly 6 percentage points over last year with continual optimisation of revenue structure. EBITDA reached RMB104.2 billion, representing an increase of 2.0% over last year. Net profit amounted to RMB21.2 billion, representing an increase of 13.9% over last year, while basic earnings per share were RMB0.262, achieving rapid growth. Capital expenditure was RMB74.9 billion, representing a decrease of 15.5% over last year being the third consecutive annual decline. Free cash flow reached RMB22.5 billion, representing a remarkable increase over last year.

In summary, the Company seized the precious opportunities arising from the benefits released from data traffic, while actively capitalising on increasing demand from corporates subscribing for cloud services. The Company expedited products innovation, promoted overall upgrade of integration, strengthened its network edges, and improved its operational capability. As a result, the Company rapidly improved its competitiveness, achieved a record high pace in terms of market expansion, and rapidly magnified corporate growth momentum. Meanwhile, while conscientiously fulfilling its responsibility to shareholders, the Company voluntarily committed itself to the sustainable economic, social and environmental development and persisted in as well as excelled in fulfilling its social responsibilities, such as its inherent corporate responsibilities, responsibilities towards customers, responsibilities towards employees, environmental responsibilities and social welfare responsibilities.

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III. The independent opinion on the relevant matters during the reporting period

1. The opinion raised by the Supervisory Committee on the compliance of the operation of the Company with laws and regulations

Pursuant to the relevant laws and regulations of PRC, the Supervisory Committee monitored the convening procedures and resolutions of the meetings of the Board, the implementation by the Board of the resolutions approved by the shareholders' meetings, the performance of duties by the Company's senior management, and the Company's management policies. The Supervisory Committee is of the view that the Directors and the senior management, in performing their duties, strictly complied with the relevant rules and regulations, safeguarded the legitimate rights and interests of the Company and the shareholders as a whole especially those of the minority shareholders, actively promoted the regulated operations of the Company, enhanced the level of corporate governance of the Company, followed lawful procedures in their decision-making, implemented

resolutions of the shareholders' meetings. The Supervisory Committee was not aware of any behaviours of the Directors or the senior management which violated the laws, regulations, the Articles of Association of the Company or were detrimental to the interests of the Company.

2. The opinion raised by the Supervisory Committee on the financial implementations of the Company

Through the supervision and inspection of the Company's financial policies and financial condition, the Supervisory Committee is of the view that the Company is able to strictly comply with the regulatory requirements such as section 404 of the US Sarbanes-Oxley Act and to continue to enhance its internal controls over financial reporting, while effectively controlling and managing the Company in accordance with rules and regulations. The Supervisory Committee suggested the Company to strengthen risk control as well as investment efficiency assessment in the area of emerging businesses. Upon the review of the financial statements for the year 2018 with unqualified audit opinion and other

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relevant information to be tabled at shareholders' meetings, which were prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards as audited by PRC certified accountants and international auditors of the Company respectively, the Supervisory Committee is of the opinion that the financial statements truly and fairly reflect the Company's financial condition, operating results and cash flows.

In 2019, the Supervisory Committee will continue to strictly adhere to the Articles of Association of the Company and relevant regulations, assume its responsibility to protect the interests of the shareholders and the Company and monitor the Company to fulfill its commitment to its shareholders. The Supervisory Committee will supervise the Company's implementation of important measures committed to shareholders and focus on "Three Goals, Three Missions and Three Initiatives to drive transformation", to speedily promote the implementation of important measures in the process of corporate high-quality development, and will further broaden the work plan of the Supervisory Committee and strengthen its efforts in monitoring so as to protect the interests of all investors.

By Order of the Supervisory Committee
Sui Yixun
Chairman of the Supervisory Committee

Beijing, China
19 March 2019