



## 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 its supervisory function to safeguard the interests of shareholders and the Company.

During the reporting period, the Supervisory Committee held two meetings. At the sixth meeting of the Third Session of the Supervisory Committee held in March 2010, the Supervisory Committee reviewed and approved five agenda items, including the financial statements for the year 2009, the independent auditors' report, and the profit distribution and dividend proposal, the Supervisory Committee's report for the year 2009, and the working plan of the Supervisory Committee for the year 2010. At the seventh meeting of the Third Session of the Supervisory Committee held in August of the same year, the Supervisory Committee reviewed the interim financial statements and the independent auditors' review report for the year 2010. During the reporting period, members of the Supervisory Committee supervised the major decision-making process of the Company and the performance of duties carried out by members of the Board of Directors and the senior management through their attendance at the 2009 Shareholders' General Meeting, the Extraordinary General Meeting, meetings of the Board of Directors, and meetings of the Audit Committee. During the reporting period, the Supervisory Committee carried out special surveys of and researches into such fields as the quality of business development and the exercise of internal control against a new backdrop of the full services operation of the Company in September 2010.

The Supervisory Committee is of the view that, in 2010, in spite of the fierce market competition, frequent natural disasters and challenging tasks of communication assurance, the Company further advanced its strategic transformation, innovated its development mode, refined its precision management, and optimised its resource allocation. The operating revenues<sup>1</sup> of the Company reached RMB219,367 million, an increase of 5.4% from last year. The revenue contributions from mobile, wireline broadband, value-added and integrated information services rose steadily. EBITDA<sup>1</sup> reached RMB88,495 million, representing an increase of 7.7% from the last year. Profit attributable to equity holders of the Company<sup>1</sup> increased by 15.0%. In sum, the full services scale development of the Company made great progress. Meanwhile, the Company attached great importance to corporate governance and operation of good faith. In accordance with Section 404 of the US Sabanes-Oxley Act of 2002 and other regulatory rules, the Company stepped up the development of its internal control system and strengthened the exercise of its internal control. As a result, the internal control environment and management of the Company kept improving. The Company's sound and steady development is on track. The Supervisory Committee is satisfied with the performance of the Company in 2010 and is confident of the Company's prospects.

The Supervisory Committee believes that during 2010, all members of the Board of Directors and members of senior management have complied with rules and regulations, upheld the principles of diligence and integrity, safeguarded the interests of shareholders, fulfilled their responsibilities fully in accordance with the Articles of Association of the Company, diligently implemented the resolutions of the shareholders' general meetings and the board meetings, and strictly complied with the relevant regulations for listed companies. The Supervisory Committee has not observed any behaviors that breached the laws, rules, and Articles of Association of the Company, or damaged the interests of shareholders.

<sup>1</sup> Excluding amortisation of the upfront connection fees



Upon the review of the unqualified financial statements of the Company for the year 2010 and other relevant information, which were prepared in accordance with PRC Accounting Standards for Business Enterprises and regulations and International Financial Reporting Standards as audited by domestic certified accountants and international auditors of the Company, and proposed to be submitted to the shareholders' general meeting by the Board of Directors, the Supervisory Committee is of the opinion that the financial statements are prepared in accordance with the principle of consistency and that they truly and fairly reflect the Company's financial position, results of operation and cash flows.

In 2011, the Supervisory Committee will continue to strictly adhere to the Articles of Association of the Company and relevant regulations, take it as its responsibility to preserve the interests of the shareholders and the Company, monitor the Company to fulfill its commitment to its shareholders, further broaden the planning of supervision and strengthen its efforts in monitoring to preserve the interests of all investors.

By Order of the Supervisory Committee

**Miao Jianhua**

*Chairman of the Supervisory Committee*

Beijing, PRC

22 March 2011



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in 2010

Wireline broadband  
subscribers

**+10,000,000**

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our customers**