

# 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 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 Fifth Session of the Supervisory Committee held on 12 March 2015, the Supervisory Committee reviewed and approved six agenda items, including the financial statements for the year 2014, the audited report issued by the external auditors, the profit distribution and dividend proposal, the Supervisory Committee's report for the year 2014, the working plan of the Supervisory Committee for the year 2015, the change of composition of the Supervisory Committee of the Company and passed the relevant resolutions. Regarding changes in assets, internal control formulation, change of as well as control and management of connected transactions, and replacement of business tax with value-added tax, the Supervisory Committee has communicated with the Finance Department, Internal Audit Department and external auditors and raised certain recommendations. On 27 May 2015, the supervisors duly signed to approve the appointment of Mr. Sui Yixun as the Chairman of the Fifth Session of the Supervisory Committee. At the third meeting of the Fifth Session of the Supervisory Committee held on 13 August

2015, the Supervisory Committee reviewed and approved the interim financial statements and the review report of the external auditors. Regarding fluctuation of major figures in the reports, the review of interim financial statements and the effect of replacing business tax with value-added tax, 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 meetings such as Board meetings and Audit Committee meetings.

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

The Supervisory Committee believes, 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, fulfilled their responsibilities fully in accordance with the Articles of Association of the Company, diligently implemented the resolutions of the shareholders' meetings and the Board meetings, and strictly complied with the relevant regulations 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.

During the reporting period, in the face of a number of prominent changes in the external environment from regulatory policies, the Company firmly upheld the main theme of “in-depth reform, open cooperation, innovation-driven”. The Company actively promoted the Internet-oriented transformation, accelerated the upgrade of the infrastructure network, fostered the scale development of high value fundamental services such as 4G services and fibre broadband and differentiated development of emerging businesses in order to achieve a stable growth in its overall operation. In 2015, the operating revenues of the Company reached RMB331.2 billion, an increase of 2.1% from last year. The service revenues reached RMB293.3 billion, an increase of 2.0% over last year, with revenue growth surpassing the industry. The proportion of service revenues attributable to emerging businesses reached around 34%, an increase of 5 percentage points from the same period last year, continuing the optimisation of our business structure. EBITDA was RMB94.1 billion with EBITDA margin of 32.1%. Profit attributable to the equity holders of the Company reached RMB20.1 billion, representing an increase of 13.4% from last year. Free cash flows amounted to –RMB21.5 billion. In summary, the Company accurately grasped the trends in mobile Internet development and the integrated development of the industry. The operational efficiency was rapidly improved. The core competitiveness was significantly strengthened and the corporate development is full of vitality. 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.

### 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 the 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 governance of the Company and 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. Upon the review of the financial statements for the year 2015 with unqualified audit opinion and other relevant information, 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, 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 2016, 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 focus on the Company's implementation of important measures in the process of promoting comprehensive in-depth reform and the acceleration of the Internet-oriented transformation, and will further broaden the planning of the work 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  
23 March 2016