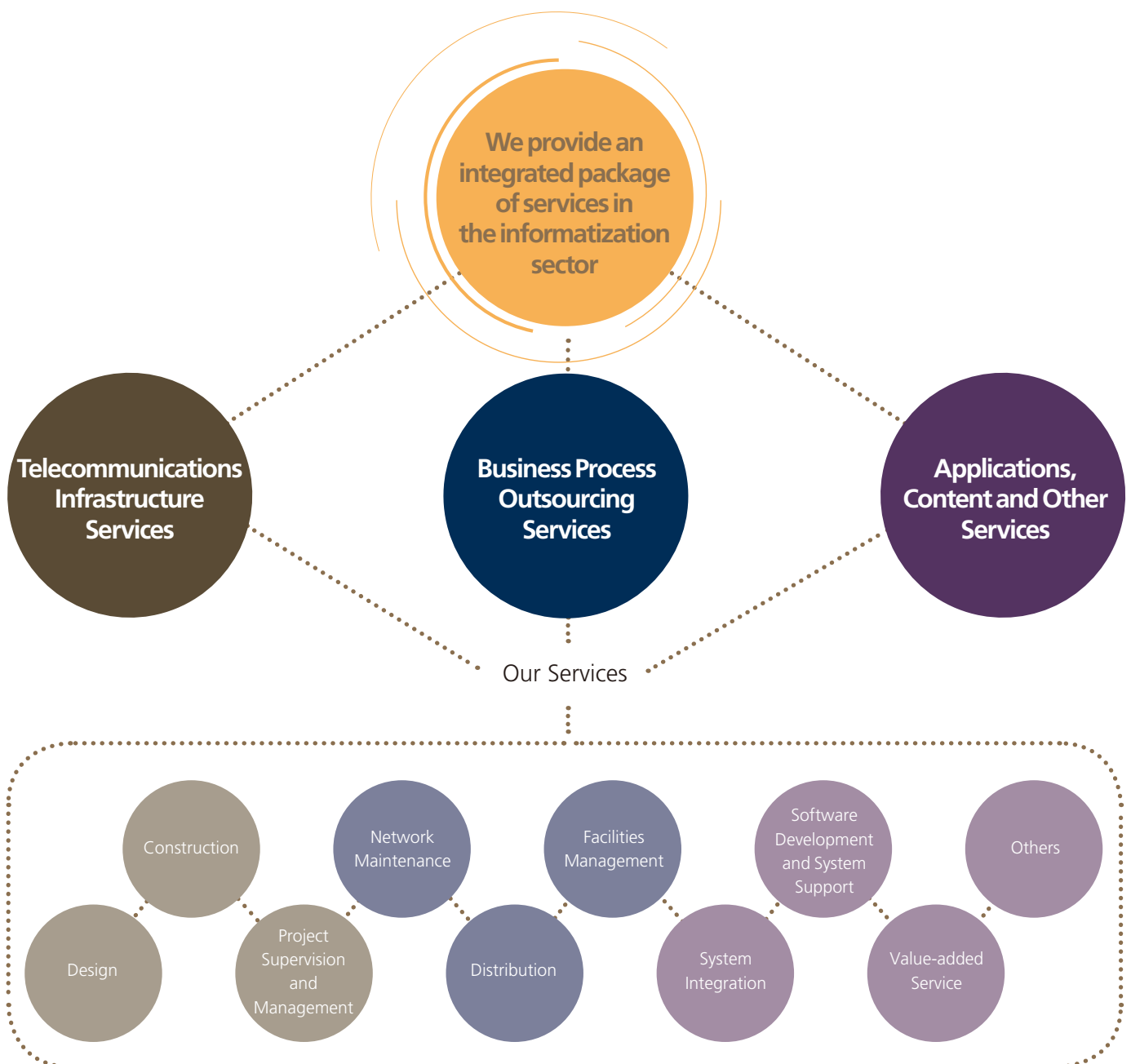


BUSINESS OVERVIEW

The Group is a leading service provider in the PRC that provides integrated support services in the informatization sector including telecommunications, media and technology. The Group provides integrated solutions, including telecommunications infrastructure services, business process outsourcing services as well as applications, content and other services to telecommunications operators, media operators, telecommunications equipment manufacturers, telecommunications infrastructure providers as well as government agencies, industrial customers and small-and-medium enterprises ("SMEs").

The Group's business spans across China and dozens of countries and regions globally, with overseas customers mainly located in Africa, the Middle East and Southeast Asia.



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(In RMB million except percentages)	2015		2014		Changes over 2014
	Revenue	Percentage to total revenues	Revenue	Percentage to total revenues	
Domestic telecommunications operator customers	54,793	67.7%	47,117	64.4%	16.3%
Domestic non-operator customers	22,942	28.3%	22,269	30.4%	3.0%
Overseas customers	3,225	4.0%	3,790	5.2%	-14.9%
Total	80,960	100.0%	73,176	100.0%	10.6%

MARKET EXPANSION

In 2015, the Group adhered to the value-driven principle and continued to consolidate its development in the domestic telecommunications operator market. While capturing the opportunities arising from the domestic telecommunications operators on 4G construction and upgrade of fiber optic broadband network, the Group also focused on the OPEX-driven business of the domestic telecommunications operators. Meanwhile, the Group accelerated its expansion in the domestic non-operator market and proactively optimized and cultivated its overseas market. The results performance of the Group enhanced remarkably in 2015, with total revenues amounted to RMB80,960 million, representing a year-on-year growth of 10.6%.



The Group attended an overseas communications business exhibition

BUSINESS OVERVIEW

In 2015, the Group continued to follow the strategy to allocate resources adaptively in developing the three customer markets and firmly captured the opportunity of increasing investment by domestic telecommunications operators, which became the major contributor to our revenue growth. In 2015, revenue from domestic telecommunications operator customers (including China Tower Corporation Limited (“The Tower Company”)) amounted to RMB54,793 million, representing a year-on-year increase of 16.3% and accounted for 67.7% of the total revenues. Revenue from domestic non-operator customers amounted to RMB22,942 million, representing an increase of 3.0% and accounted for 28.3% of the total revenues. Revenue from overseas customers amounted to RMB3,225 million, representing a decrease of 14.9% and accounted for 4.0% of the total revenues.

In 2015, the Group focused on the development of both “CAPEX and OPEX-driven” businesses¹. Leveraged on the opportunities of LTE FDD license issuance, upgrading and capacity ramp-up of telecommunications backbone network and fiber optic broadband, the Group intensified its efforts in expanding the domestic telecommunications operator market. Of which, revenue from China Telecom amounted to RMB39,130 million, representing a year-on-year growth of 22.5% and accounted for 48.3% of the total revenues. China Telecom was the largest contributor to the incremental revenue. During the year, supported by the enlarged market share, proactive expansion in OPEX-driven business of the domestic telecommunications operators and the revenue contributions from the Tower Company, we overcame the impact from the decline of network construction investment of respective operator customer. Aggregate revenues from operator customers other than China Telecom maintained stable growth and amounted to RMB15,663 million, representing a year-on-year growth of 3.3% and accounted for 19.4% of the total revenues. The Tower Company became an important new customer and made obvious contribution to the revenue growth of the Group. The Group has strengthened its market expansion in the domestic telecommunications operator market in northern China and established Inner Mongolia Autonomous Region Telecommunications Services Company Limited, striving for enhancement in the revenue contribution from the northern region. In 2015, the Group made remarkable progress in the development of OPEX-driven business of domestic telecommunications operators, of which growth of maintenance business maintained approximately 18% for two consecutive years, showing a rapid and steady growth momentum.

In 2015, the Group proactively expanded the domestic non-operator customers market and achieved satisfactory results. Sales and marketing mechanism was initially established and overall revenue growth from such market remained stable. Among that, development of key businesses such as construction of informatization projects and data centres achieved satisfactory growth with further optimization in revenue structure, laying a solid foundation for subsequent development. The Group strengthened

The Group signed the cooperation agreement with the Tower Company



The Group obtained the award of excellent partner from the Tower Company

The Group undertook tower projects



¹ CAPEX and OPEX refer to the capital expenditure and operating expenditure of domestic telecommunications operators, respectively.

BUSINESS OVERVIEW

its promotion of the six major group-level products including smart city, smart security, smart industrial park, intelligent building, cloud computing construction services and e-certification, with a view to continuously enhancing the value of the projects. The Group has been devoted in the expansion of customers in sectors such as government, transportation, internet and information technology, construction and property, and electricity, and won certain high value projects, including overall integrated network planning, construction and commissioning for “Second World Internet Conference” in Wuzhen, highway informatization system development in Hunan Province, smart security project in Binjiang District of Zhejiang Province and construction of data centre for Tangshan World Horticultural Exposition. Currently, annual contracted revenue generated from customers in sectors such as government, transportation, electricity, construction and property sectors exceeded RMB1 billion.

In 2015, the Group proactively reallocated its resources in overseas market and continued to optimize business structure to improve the quality of revenue. Meanwhile, the Group reinforced its overseas risk management by utilizing various financial instruments, such as accounts receivable factoring and forward foreign exchange lock-up to hedge against overseas funding and exchange rate risks. The Group closely monitored national “One Belt, One Road” Initiative and the “10 Major Plans of Sino-African Cooperation”, and organized “China-Africa ICT Partnership Forum” in South Africa and facilitated the signing of the Memorandum of Understanding on the Joint Partnership and Cooperation on the Acceleration of Development of Infrastructure for Information and Communications Technologies in East Africa among Ministry of Industry and Information Technology of PRC (“MIIT”), International Telecommunication Union (“ITU”) and Ministry of Communications of five East African countries and proactively initiated and pushed ahead the “China-Africa Partnership Program in Trans Africa Information Superhighway” Project. This project has become a key Sino-foreign cooperative project supported by the PRC government and has been marked as the 2016 key project of MIIT.



The Group organized “China-Africa ICT Partnership Forum” in South Africa, initiated the “China-Africa Partnership Program in Trans Africa Information Superhighway” Project and facilitated the signing of the memorandum on cooperation among MIIT, ITU and Ministry of Communications of five East African countries

BUSINESS OVERVIEW

BUSINESS DEVELOPMENT

Telecommunications Infrastructure Services

As the largest telecommunications infrastructure service provider in China, the Group possesses all the highest grade qualifications in the communications construction industry in China. In 2015, revenue from telecommunications infrastructure services amounted to RMB39,209 million, representing a year-on-year growth of 15.3%.

The Group has the capabilities to provide worldwide telecommunications operators with comprehensive telecommunications infrastructure services including planning, design, construction and project supervision for fixed-line, mobile, broadband networks and supporting systems. In 2015, the Group fully supported the network construction of customers including the three major domestic telecommunications operators and the Tower Company and maintained our solid market leading position. In 2015, revenue of telecommunications infrastructure services from domestic telecommunications operator customers achieved a year-on-year growth of 19.1%.

The Group also provides construction services of ancillary communications networks, and integrated solutions for informatization and intelligent buildings to domestic non-operator customers, such as government agencies, financial institutions, broadcasting and television enterprises, construction enterprises, transportation and electricity sectors as well as overseas customers. The Group continuously achieves breakthroughs in the construction projects for smart city, intelligent building, data centre and electricity project. In 2015, revenue of telecommunications infrastructure services from domestic non-operator customers achieved a year-on-year growth of 12.9% and growth momentum has been strengthened gradually.

The Group firmly believes that, the construction of communications infrastructure network driven by "Cyberpower" and "Broadband China" strategies, the infrastructure construction of informatization system driven by big data, cloud computing and Internet+, the informatization business including "smart city" and "safe city" brought about by acceleration of national policies in urbanization and informatization, the new overseas opportunities brought about by "One Belt, One Road" initiative, and the demand from integrated construction and maintenance services from the Tower Company will altogether create new space for growth for the Group in the area of telecommunications infrastructure services.



The Group provided communication network consulting and design services to overseas clients



The Group undertook 4G network construction projects

BUSINESS OVERVIEW

Business Process Outsourcing Services

The Group is the largest integrated provider of business process outsourcing services in the communications industry in China. We kept extending our business scope along the communications business value chain, providing major services include management of infrastructure for information technology ("Network Maintenance"), distribution of telecommunications services and products ("Distribution") and general facilities management. The targets of our services include domestic and overseas telecommunications operator customers, government agencies and enterprises customers. In 2015, the Group focused on the OPEX-driven business of domestic telecommunications operators, and strengthened the synergistic operation and brand building of OPEX-driven business, whilst controlling the development of businesses with low efficiency. Revenue from business process outsourcing services amounted to RMB33,014 million, representing a year-on-year growth of 5.8%.



The Group undertook data centre project



Optical network restoration project

The Group provides Network Maintenance services for telecommunications operators covering fiber optic cables, electric cables, base stations, network equipment and user terminals. The market space of maintenance services continues to expand along with the growth of network scale, increasing volume of maintenance outsourcing business and new demands of maintenance business from domestic telecommunications operators. In 2015, the Group proactively undertook on-site integrated maintenance services from domestic telecommunications operators, facilitated the organization optimization of maintenance business and continuously improved efficiency and effectiveness. The Group realized revenue of RMB9,756 million from the Network Maintenance business, representing a rapid increase of 19.8%, and maintaining a growth rate of over 18% for two consecutive years and was the second largest contributor to the total incremental revenues.

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The Distribution service of the Group includes telecommunications business marketing agency, basic logistics and value-added logistics, sale of telecommunications equipment, retail and distribution of mobile terminals. The customers comprised telecommunications operators, telecommunications equipment manufacturers, government agencies and SMEs. In 2015, the Group received the "5A" logistics qualification certificate from China Federation of Logistic & Purchasing, being the only enterprise in the domestic telecommunications industry which has obtained such certificate, and set up and operated China Comservice Supply Chain Management Company Ltd. It indicated a promising start for the synergistic operation of high value businesses and obtained relatively large market share from China Telecom's "E surfing" terminals logistic distribution business. In 2015, the Group adhered to the principle of "efficient development" to expand its Distribution business and to control the development of businesses with low efficiency. Revenue from Distribution business amounted to RMB19,489 million, representing a year-on-year decrease of 0.6%. Nonetheless, revenue from supply chain service, being the key Distribution businesses, achieved a growth of 10.9%.

The Group provides general facilities management services to domestic telecommunications operators and domestic non-operator customers for their data centres, cloud computing centres, commercial buildings, high-end residential buildings, high-speed railway stations and airports, including their property, equipment, assets and energy-saving management. The Group proactively promoted intelligent building and smart community, and is proactively building up brands for its business. In 2015, revenue from the general facilities management business of the Group was RMB3,769 million, representing a year-on-year growth of 8.6%.

The Group believes that the OPEX business of domestic telecommunications operators have enormous room and potential to grow, whilst the domestic non-operator customers also have strong demands in business process outsourcing services. The business process outsourcing business is characterized by high customer loyalty, low accounts receivable turnover days and good cash flow. The Group will further focus its resources on key business sectors for professional operation to realize scale and efficient development.



The Group's logistics park and motorcade

BUSINESS OVERVIEW

Applications, Content and Other Services

The Group provides system integration, software development and system support as well as value-added services to customers including domestic telecommunications operators, government, industrial customers and SMEs. In 2015, revenue from the applications, content and other services amounted to RMB8,737 million, representing a year-on-year increase of 9.9%.

In 2015, the Group reinforced the promotion of its competitive products and solutions including smart city, smart industrial park, e-certification and information security and achieved initial success in brand building of products.

The Group will accelerate product innovation and promotion by fully capitalizing on its existing products and customer base, intensifying efforts in research and external cooperation in key areas such as information security, internet of things and cloud computing, and enhancing the vitality and capabilities of professional subsidiaries and core staff members through innovation in mechanism. The Group will further strengthen the driving force of applications, content and other services on the telecommunications infrastructure services and business process outsourcing services, and pursue technology advancement and business innovation for the sustainable development of the Company.



The Group undertook the project of application platform for smart security command centre



The Group undertook informatization construction projects for customs