

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee conscientiously performed their supervisory duties and earnestly safeguarded the interests of the shareholders and the Company in accordance with the requirements of the relevant laws and regulations such as the Company Law of the PRC and the Articles of Association of the Company.

During the reporting period, the Supervisory Committee held three meetings. At the seventh meeting of the second session of the Supervisory Committee held on 23 March 2012, the Supervisory Committee reviewed and approved seven resolutions on the financial statements of the Company for 2011, the profit distribution proposal and dividends distribution plan, external auditors' report, work report of risk management for 2011 and its work plan for 2012, the work report of the Supervisory Committee for 2011 and the work plan of the Supervisory Committee for 2012, and reelection of the Supervisory Committee. At the first meeting of the third session of the Supervisory Committee held on 13 August, the Supervisory Committee reviewed and approved an election of the chairperson of the third session of the Supervisory Committee. At the second meeting of the third session of the Supervisory Committee held on 24 August, the Supervisory Committee reviewed and approved the unaudited interim financial statements for 2012, review report of unaudited interim financial statements for 2012 by external auditor and work report on risk management of the Company in the first half of 2012. During the reporting period, members of the Supervisory Committee attended the meetings of the Board of Directors, shareholders' general meeting and the meetings of the Audit Committee held in 2012, and supervised the major decisions of the Company and the performance of the members of the Board of Directors and senior management, and made relevant management recommendations with a serious and responsible attitude.

The Supervisory Committee is of the opinion that, under the macro-economic downturn environment, the Company accommodated adverse effects such as keen competition in the market. The Company set 2012 as an "Innovation Year" and adhered to five strategies. The Company focused on its three major markets, namely, domestic telecommunications operator market, domestic non-operator market and overseas market with its adaptive resources allocation. The Company explored innovations in internal mechanism, enhanced "six management" and risk management and control. The Company implemented internal control assessment to achieve higher efficiency and cost reduction. As such, the Company recorded remarkable operating results and maintained a double-digit growth in revenues and net profit. Its revenues exceeded RMB60 billion for the first time.

The Supervisory Committee is of the opinion that, all members of the Board of Directors and senior management of the Company have complied with the laws and regulations, and favorably performed their duties in accordance with the Articles of Association of the Company in 2012. In addition, they have also safeguarded the interests of the shareholders, earnestly carried out various resolutions of the shareholders' general meetings and the Board of Directors, and operated strictly in accordance with the regulatory requirements for a listed company. The Supervisory Committee was not aware of any violation of relevant national laws and regulations and the Articles of Association, or any acts which would violate the interests of the Company.

The Supervisory Committee carefully reviewed the financial statements of the Company for 2012 which were audited by external auditors who have issued an unqualified opinion, and is intended to be submitted by the Board of Directors to the shareholders' general meeting, and other relevant information. The Supervisory Committee is of the opinion that the financial statements give an objective and true view of the Company's financial position and operating results.

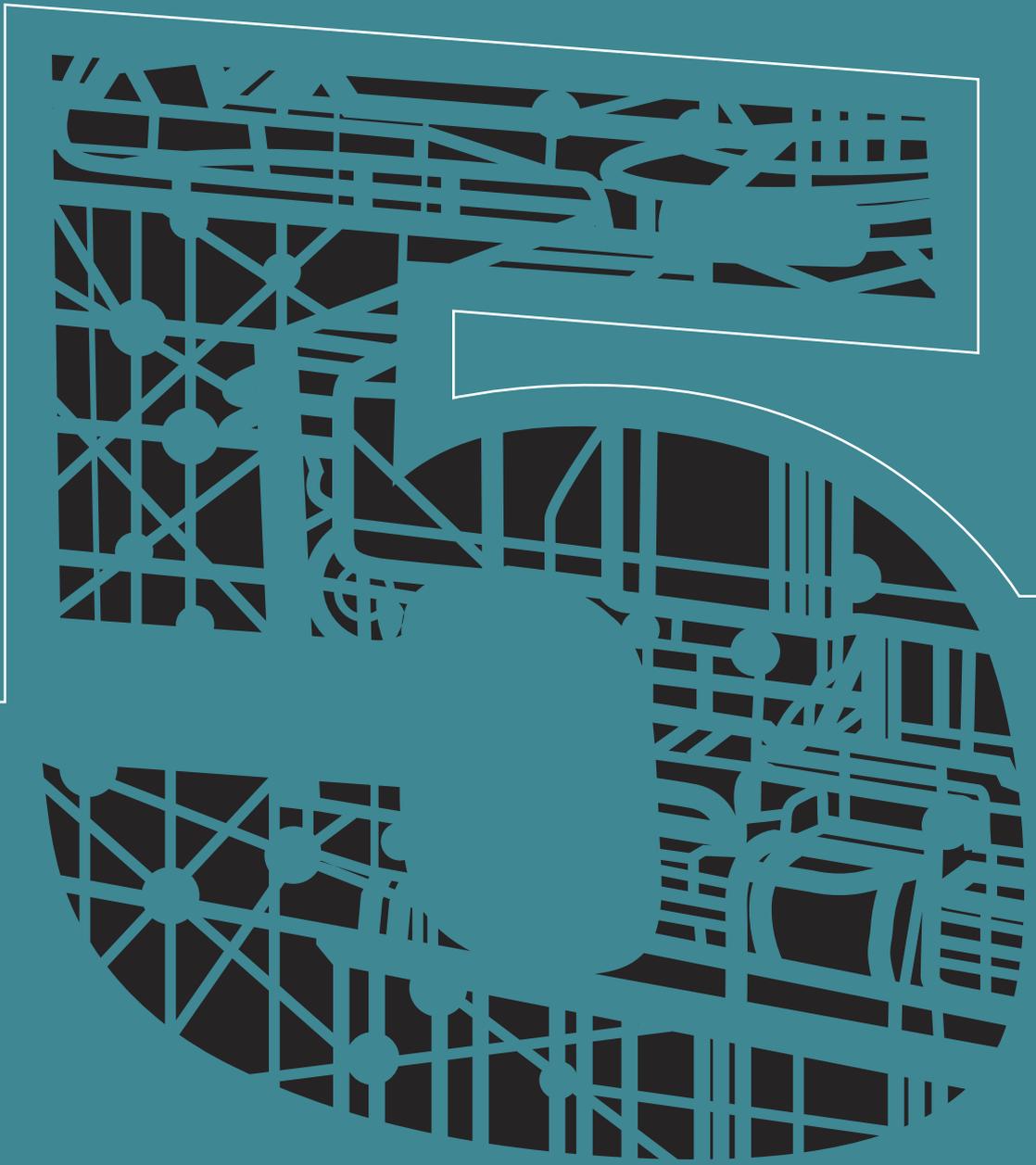
In 2013, to safeguard the interests of the shareholders and the interests of the Company and emphasize the fulfillment of the promises made to the shareholders, the Supervisory Committee will continue to perform its supervisory duties diligently over the major decisions and key operating activities in accordance with the Company Law of the PRC and the Articles of Association of the Company.

By order of the Supervisory Committee

Xia Jianghua

Chairperson of the Supervisory Committee

Beijing, PRC
22 March 2013



5 Strategies



- **Strategy of Maintaining a Leading Position in the Domestic Operator Market**
- **Strategy of Differentiation and Cooperation in the Domestic Non-operator Market**
- **Strategy of Overseas Market-Focused and Four Steps**
- **Strategy of Talents Management**
- **Strategy of Synergistic Operation**

Implement five strategies and achieve successful transformation through innovation, thereby enhancing service quality and product competitiveness and realizing superior performance.