

## REPORT OF THE SUPERVISORY COMMITTEE

To shareholders:

During the period covered by this report, all the members of the Supervisory Committee acted in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Company's Articles of Association, adhered to the principle of honesty and trustworthiness, and conscientiously performed their supervisory duties, so as to safeguard the rights and interests of the shareholders, as well as the interests of the Company.

During the period covered by this report, the Supervisory Committee held one meeting to review and discuss six proposals, including the Company's financial statements for the year 2002, the auditors' report prepared by KPMG for the year 2002 and the dividend distribution proposal for the year 2002. The Supervisory Committee attended 2003 Annual General Meeting, the Extraordinary General Meeting and three Board meetings of the Company during the year and reviewed the 2003 interim financial statements of the Company. The Supervisory Committee arranged for its members to review financial affairs of the subsidiaries of the Company and provided recommendations for improvement. Through performing the work mentioned above, the Supervisory Committee monitored the financial affairs of the Company and the performance of duties by the senior management and hence safeguarded the rights and interests of the shareholders, as well as the long-term development of the Company.

The Supervisory Committee is of the view that during the year 2003, the Company continued to regard accelerated development as its key objective. The Company enhanced the scale of its reforms and continued to encourage system innovation and transformation so as to achieve better results. With the steady improvement in the economic efficiencies, the Company had further enhanced its existing strengths. The Supervisory Committee is satisfied with the achievements made by the Company in 2003 and is fully confident in the Company's prospects.

The Supervisory Committee believes that during the year 2003, all the members of the board of Directors, Chief Executive Officer and other senior management have adhered to the principle of diligence and honesty, acted in good faith and in the best interests of the shareholders, duly performed their duties and obligations as set out in the Articles of Association, conscientiously implemented the various resolutions adopted at the annual general meeting and board meetings of the Company and operated strictly in accordance with the code of practice for listed companies. None of them has violated any law or regulation of the People's Republic of China or the Company's Articles of Association, nor has been involved in any activity damaging the interests of the Company during the performance of their duties.

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During the period covered by this report, the Company successfully completed the acquisition of the telecommunication businesses in the six regions, strictly in accordance with the requirements of the relevant laws and the decision of the general meeting of the Company. The whole acquisition process conformed to the relevant rules and regulations.

Upon the review of the draft audited financial statements of the Company for the year 2003, prepared in accordance with PRC accounting rules and regulations and International Financial Reporting Standards respectively, and other available information, the Supervisory Committee is of the opinion that the respective financial statements have been prepared in accordance with the relevant accounting standards, the accounting treatment has adhered to the principle of consistency and that the respective financial statements truly and fairly reflect the Company's financial conditions and results of operations.

In the new year, the Supervisory Committee will continue to broaden its business approach, further enhance supervision and continue to work diligently to safeguard the interests of the shareholders.

By Order of the Supervisory Committee

**Zhang Xiuqin**

*Chairperson of the Supervisory Committee*

Beijing, PRC

12 March 2004