

To shareholders,

During the reporting period, all members of the Supervisory Committee acted strictly in accordance with the relevant provisions of the *Company Law of the People's Republic of China* and the Company's Articles of Association and adhered to the principle of honesty, trustworthiness, diligence and prudence. The Supervisory Committee conscientiously and actively performed their supervisory duties in light of the conditions of the Company to protect the interests of the shareholders and the benefits of the Company.

During the reporting period, the Supervisory Committee held two meetings. The Supervisory Committee convened the third meeting of the First Session of the Supervisory Committee to review and approve five proposals, including the Company's financial statements prepared for the year 2003, the auditors' report prepared by KPMG and the profit appropriations proposal for the year 2003. The Supervisory Committee convened the fourth meeting of the First Session of the Supervisory Committee to review and approve the 2004 interim financial statements of the Company, the independent auditors' review report, the draft *Charter for Supervisory Committee of China Telecom Corporation Limited* and proposals were adopted for consideration at the 2004 Annual General Meeting. During the reporting period, members of the Supervisory Committee attended the Company's 2003 Annual General Meeting, Extraordinary General Meetings, Class Meetings and eight meetings of the Board of Directors. The Supervisory Committee also arranged for its members to review the

performance 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 therefore safeguarded the rights and interests of the Company and the shareholders.

The Supervisory Committee is of the view that during the year 2004, the Company maintained growth at a fast pace and paid great attention to implementing corporate governance principles to and preserving integrity of the businesses of the Company. The Company continued to intensify its reform and strengthen its management capabilities, and therefore was able to improve its economic efficiencies, and maintain steady growth of all its businesses, all of which contributed to an improvement in the value of the Company.

The Supervisory Committee believes that during the year 2004, all members of the Board of Directors, the Chief Executive Officer and other members of the senior management duly performed their duties and obligations in the best interests of the shareholders, complied strictly with the code of best practice for listed companies and made great effort to safeguard shareholders' interests. The management team's persistent hard work has resulted in the strong financial performance of the Company in 2004.

During the reporting period, the Company successfully completed the acquisition of the telecommunications businesses in ten provinces, and the issue of new H Shares

strictly in accordance with the requirements of the relevant laws and the decision of the general meeting of the Company. The whole process conformed to the standards and was valid.

Upon the review of the unqualified financial statements of the Company for the year 2004 and other relevant information, prepared in accordance with PRC accounting rules and regulations and International Financial Reporting Standards and audited by domestic and international auditors of the Company, the Supervisory Committee is of the opinion that the financial statements were prepared by adhering to the principle of consistency and that they truly and fairly reflect the Company's financial conditions and results of operations.

In 2005, guided by the Company's Articles of Association and the relevant regulatory requirements, the Supervisory Committee will continue to review and improve existing supervisory measures with a view to protecting the interests of the Company and the shareholders. We will do our utmost to complete the tasks entrusted by all shareholders, so as to ensure the Company continues to grow in the long term and that the shareholders' interests in the Company are preserved.

By Order of the Supervisory Committee  
**Zhang Xiuqin**  
*Chairperson of the Supervisory Committee*

Beijing, PRC  
31 March 2005