

## REPORT OF THE SUPERVISORY COMMITTEE

### Dear Shareholders,

In 2005, the Supervisory Committee of China Telecom Corporation Limited had spared no effort in performing its duties and earnestly safeguarding the interests of the shareholders and the benefits of the Company in accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company.

During the reporting period, the Supervisory Committee held three meetings. At the fifth meeting of the First Session of the Supervisory Committee held in March 2005, operating results and the Company's financial statements for 2004 had been reviewed. In addition, the First Session of the Supervisory Committee reviewed and approved five agenda items, including the financial statements, profit appropriation proposal and the independent auditors' report for the year ended 31 December 2004. At the sixth meeting of the First Session of the Supervisory Committee held in August of the same year, the interim financial statements and the independent auditors' review report of 2005 were reviewed, and a summary of the work of the First Session of the Supervisory Committee was made. The term for the First Session of the Supervisory Committee expired on 9 September 2005, and the work targets during the three-year period of office had been successfully achieved. Re-election for the Supervisory Committee was completed pursuant to the requirements of the *Company Law of PRC* and the Company's Articles of Association. At the first meeting of the Second Session of the Supervisory Committee held in September 2005, the resolution for the election of Ms. Zhang Xiuqin as the Chairman of the Second Session of the Supervisory Committee of China Telecom Corporation Limited was approved. During the reporting period, through attending the Annual General Meeting of the Company for 2004, the Extraordinary General Meetings and the meetings of the Board of Directors in 2005, members of the Supervisory Committee supervised the major decision-making processes of the Company and the performance of duties by the members of the Board of Directors and the senior management.

The Supervisory Committee is of the view that in 2005, the Company focused on corporate transformation and precision management, maintained growth at a fast pace and paid great attention to implementing corporate governance and preserving integrity of the businesses of the Company. It continued to intensify reform and strengthen its management capabilities, so that our services had grown steadily with greater cost-effectiveness and improvement in the value of the Company.

The Supervisory Committee believes that during 2005, all members of the Board of Directors and members of the senior management were dedicated, hard-working and prudent in their decision-making. They had strictly complied with the Listing Rules during work to protect the interests of the shareholders and to achieve admirable financial performance of the company.

Upon the review of the unqualified financial statements of the Company for the year ended 2005 and other relevant information which were prepared in accordance with PRC accounting rules and regulations and International Financial Reporting Standards, audited by external auditors of the Company and proposed to be submitted to the shareholders general meeting by the Board of Directors, 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 position and results of operations.

In 2006, guided by the Articles of Association of the Company and relevant regulatory requirements, the Supervisory Committee will further enhance its work procedures and do the utmost to perform its supervisory role with a view to preserving the interests of the Company and its shareholders.

By order of the Supervisory Committee

**Zhang Xiuqin**

*Chairperson of the Supervisory Committee*

Beijing, PRC

22 March 2006