

# Report of the Supervisory Committee

## Dear Shareholders,

The Supervisory Committee of China Telecom Corporation Limited spared no effort in performing its duties in accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, and supervising effectively whether the resolutions made by the Board of Directors are in compliance with relevant laws and in the best interests of the Company and its shareholders, and safeguarding the interests of shareholders and the long-term benefits of the Company.

During the reporting period, the Supervisory Committee held two meetings. At the second meeting of the Second Session of the Supervisory Committee held in March 2006, the Company's operating results and financial statements for 2005 were reviewed. In addition, the Second Session of the Supervisory Committee reviewed and approved five agenda items, including the financial statements, profit distribution proposal, the independent auditors' report for the year ended 2005, the report of the Supervisory Committee for the year ended 2005, and the work plan of the Supervisory Committee for the year 2006. At the third meeting of the Second Session of the Supervisory Committee held in August of the same year, the interim financial statements and the independent auditors' review report of 2006 were reviewed. During the reporting period, members of the supervisory committee supervised the major decision-making processes of the Company and the performance of duties carried out by members of the Board of Directors and the senior management through their attendance of the Annual General Meeting of the Company for 2005 and the meetings of the Board of Directors.

The Supervisory Committee is of the view that during the reporting period, the traditional voice services of the Company faced acute challenges posed by intensifying market competition. The Company proactively promoted strategic transformation and maintained the fundamentals of its traditional business. It actively implemented precise management, optimised the resources allocation, enhanced internal reform and innovated its development model so that the Company could enjoy better economic benefits and growth quality, fulfilling its commitments to its investors.

Meanwhile, the Company has attached great importance to its corporate governance and business integrity. In accordance with relevant regulations, including the Sarbane-Oxley Act Section 404, the Company strengthened the improvement and execution of its internal control, allowing the enhancement of both the internal control environment and management standards. The Company thus maintained healthy and stable development.

The Supervisory Committee believes that during 2006, all members of the Board of Directors and members of senior management have complied with relevant laws and regulations, diligently carried out the resolutions approved in shareholders' general meetings, persisted in managing the operation of the Company in accordance with the law, and prudent in their decision-making. The Board's and the senior management contributed greatly towards achieving excellent financial results for the Company.

Upon the review of the unqualified financial statements of the Company for the year ended 2006 and other relevant information which were prepared in accordance with PRC accounting rules and regulations and International Financial Reporting Standards, audited by domestic and international 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 in line with the principle of consistency and that they truly and fairly reflect the Company's financial position and results of operations.

In 2007, guided by the Articles of Association of the Company and relevant regulatory requirements, the Supervisory Committee will do its utmost in all aspects to preserve the interests of the Company and its shareholders, to supervise the deliveries of commitment to shareholders of the Company and to strive to excel in the discharge of its duties.

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

Beijing, PRC  
26 March 2007