

# REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

The Supervisory Committee of Guangzhou R&F properties Co., Ltd. (the "Supervisory Committee"), as abided by the Company Law of the PRC, the Hong Kong Company Ordinance, the Listing Rules of the Stock Exchange and the relevant laws and regulation and the Articles of Association of the Company, have exercised their supervisory duties and responsibilities diligently, from the standpoint of protecting the shareholders' interest and benefits of the Company, in respect of the business operation and financial management of the Company and to provide appropriate recommendation as and when require. It is intended that the operation efficiency of the Company and the corporate governance will further be improved, as well as the total image of the Group.

During the year, a representative of Supervisory Committee was invited to attend the Board of Directors meetings and shall also attend the forthcoming Annual General Meeting. It has suitably monitored and supervised all important and material policies and decisions as formulated or made by the management of the Company, whether they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, or they are in the best interests of the Company and its shareholders. It has also provided recommendations and suggestions to the Board of Directors in respect of the management, business operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual General Meeting. The Supervisory Committee is satisfied that Directors, and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has also reviewed the financial statements prepared by PricewaterhouseCoopers in accordance with Hong Kong Financial Reporting Standards ("HKFRs") and considers that the financial statements reflect a true and fair view of the financial position and results of operations of the Company and they comply with all the required regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and the economic benefits of the Company in 2005 and has great confidence in the future of the Company.

By order of the Supervisory Committee

**Feng Xiangyang**

*Convenor*

Guangzhou, PRC,

14 March 2006