

Dear Shareholders:

In 2004, the Supervisory Committee of the Company carried out its supervisory duties and protected the interests of the Company, its shareholders and employees strictly in accordance with the relevant provisions of the Company Law and the Articles of Association.

During this Year, the Supervisory Committee convened two meetings, at which five proposals, including the 2003 Auditors' Report and Audited Financial Report, the 2003 Profit Distribution Plan and Dividend Recommendation, the 2003 Report of the Supervisory Committee were considered and approved. Two hearings were held, in which the Chief Financial Officer of the Company, the Company's Finance Department and Ernst & Young made presentations on the Company's financial conditions, operation situations and the auditors's review for the first half of 2004.

The Supervisory Committee attended three meetings of the Board of Directors, participated in two shareholders' general meetings and submitted the 2003 Report of the Supervisory Committee to the shareholders' general meeting, at which it was adopted.

In April 2004, the Supervisory Committee organised an inspection of the Company's Guangdong branch and its sub-branches and inspected their finance, business and internal control system. Between mid-October 2004 and early November 2004, the Supervisory Committee made an inspection of Guangxi branch and Shanxi branch and over twenty of their respective sub-branches and inspected their finance and business operations.

To further improve the Supervisory Committee's operational mechanism and supervisory functions, the Supervisory Committee completed five performance researches in 2004 and formulated Report on Best Practice of the Supervisory Committee.

In 2004, the Supervisory Committee established a working group with its own staff and formulated the Work Manual on the Daily Operation of the Supervisory Committee. The Supervisory Committee made recommendations to the Company's management team in relation to certain potential risks identified in the process of supervision and inspection.

The Supervisory Committee is of the view that:

Work of the Board committees was strengthened and functions of Independent Non-executive Directors were emphasized. The Board of Directors's decision-making was scientific and within its delegated authority. The Board carried out its duties and responsibilities.

The Company's management team devoted to adjusting business structure, and effectively standardized the "three centers" and strengthened the Company's basic management.

Directors and senior management of the Company acted in diligence and good faith. During this Year, no member of the senior management was found to have committed any breach of any laws, regulations or the Articles of Association or to have infringed any rights or interests of the Company, its shareholders or employees in conducting their duties.

The Company's connected transactions were conducted on an arm's length basis, satisfied the relevant regulatory provisions of the Stock Exchange. There was no indication of any infringement of the interests of the Company or its independent shareholders.

In 2005, the Supervisory Committee will continue to strictly abide by relevant laws and regulations and the Articles of Association, concentrate on its own improvement, carry out its supervisory duties and fairly protect the interests of the Company, its shareholders and employees. The Supervisory Committee will also continue to strengthen its supervision over the decision-making process and the truthfulness of financial information, try to establish an off-the-spot monitor system over finance and business operations and conduct specialized inspections, investigations and research regarding the issues of connected transactions, internal controls, budget operations, reserve contributions and implementation of resolutions of the Company.

By Order of the Supervisory Committee

Deng Zhaoyu

Chairman of the Supervisory Committee

Beijing, PRC

21 April 2005