

# Report of the Supervisory Committee

In accordance with the provisions of the Company Law of the PRC (the "Company Law"), the Law of Hong Kong and the Company's articles of association, the Supervisory Committee exercised its authorities and performed its duties in an honest and stringent manner to protect the legitimate interests of the Company and its shareholders during the year ended 31st December, 2000.

During the year under review, the Supervisory Committee, by way of attending meetings of the directors and the office of general manager of the Company and participating in the other important activities of the Company and through other means, monitored and supervised the decision-making process, the rationale of the decisions and the administration of daily operations of the directors, general manager and other senior management of the Company and effectively discharged its supervisory function. The Supervisory Committee is of the view that the directors, general manager and other senior management of the Company diligently implemented the resolutions passed by the Company's shareholders in general meeting, honestly discharged their official functions and ensured the Company's operations being carried out in compliance with law. In discharging their official duties, they acted in the interests of the Company and its shareholders and had not done any act which might prejudice the interests of the shareholders and employees of the Company.

During the period under review, the directors performed their duties and responsibilities in compliance with the requirements of Appendix 14 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited and the applicable regulations promulgated by China Securities Regulatory Commission. The Supervisory Committee is not aware of any act of the directors which was in breach of laws and regulations or the articles of association. The Company was not involved in any material litigation during the year. The Supervisory Committee did not represent the Company to enter into negotiations with nor institute any proceedings against the directors.

The Supervisory Committee, having carefully reviewed the audited reports and financial statements of the Company for the year 2000 prepared by the PRC and international accounting firms, is of the opinion that the reports give a true and fair view of the operating performance and financial position of the Company for the year according to the "PRC Standards on Accounting". The Supervisory Committee also reviewed the directors' report and profit distribution proposal to be submitted to the shareholders. The above report and proposal are prepared in compliance with the relevant laws and regulations and the Company's Articles of Association.

**Wang Jun**

*Chairman of the Supervisory Committee*

12th February, 2001

Wuhu City, Anhui Province, the PRC