

Report of the Supervisory Committee



To Shareholders,

All the members of the Supervisory Committee have performed their duties in strict compliance with the Company Act of the People's Republic of China, the Articles of Association of the Company and the relevant laws and regulations of Hong Kong in order to safeguard the interests of shareholders and the Company.

The Supervisory Committee had attended the Board of Directors meeting of the Group and learned about the Company's situation during 2000. We are of the opinion that the management has kept its promises and abided by the relevant laws. We believe that the committee has made a significant contribution to the Company in respect of its operation, development and production management. The committee considers that the Company's management has been performing its duties in an effective and appropriate manner towards the prosperous development of the Company and in the ultimate interests of its shareholders.

The committee has carefully reviewed the financial statements, directors' report, auditors' report and profit distribution proposal which will be submitted for approval by shareholders at the forthcoming annual general meeting of the Company. We considered that the accounts of the Group were recorded clearly and the information contained was complete. The financial management and accounts' auditing were in compliance with the provisions of the relevant accounting systems. The figures contained in the financial report of 2000 were reliable, and no problem has been found.

The Supervisory Committee considers that all members of the Board of Directors and senior management have performed all their duties, and have implemented all the resolutions passed at the general meetings and the Board of Directors meetings in compliance with the Articles of Association of the Company and the relevant laws and regulations without adversely affecting the interests of the shareholders and employees of the Company.

The Supervisory Committee will continue to perform its duties and will proceed with its best endeavours to safeguard the interests of the shareholders. The Supervisory Committee is satisfied with the achievements attained by the Group and has confidence in the prospect of the Group.

Feng Lanshui

Chairman of the Supervisory Committee

6 March 2001