

REPORT OF THE SUPERVISORY COMMITTEE

(I) SUPERVISORY COMMITTEE MEETING DURING THE REPORTING PERIOD

1. At the second session meeting of the Third Supervisory Committee held on 20th February 2001

The following resolutions were considered and passed: proposal of appointment of Mr. Xu Yang, Mr. Du Wen Yi and Ms. Ma Ning as the Supervisors; approval of resignation of Mr. Geng Liu Yu, Mr. Wu Zan Ping, Mr. Xing Guo Qiang from the position of Supervisors due to change of job.

Announcement of the resolutions passed was published on China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 21st February 2001.

2. The third session of the Third Supervisory Committee Meeting held on 23rd March 2001

The Annual Report for 2000 was reviewed thoroughly and approved at the meeting.

3. The fourth session meeting of the Third Supervisory Committee held on 11th April 2001

The following resolutions were considered and passed: approval of the Report of Supervisor Committee for 2000.

Announcement of the resolutions passed was published on China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 12th April 2001.

4. The fifth session meeting of the Third Supervisory Committee held on 21st August 2001

The following resolutions were considered and passed: approval of the Interim Results and Summary for 2001.

Announcement of the resolutions passed was published on China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 22nd August 2001.

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(II) REPORT OF THE SUPERVISORY COMMITTEE

To: All shareholders

Pursuant to the Company Law of the People's Republic of China and the Articles of Association of the Company, the Supervisory Committee of the Company has faithfully discharged its duties during the year 2001 in respect of the management, operation, cost-effectiveness and development of the Company as prescribed by the Articles of Association of the Company for the purpose of safeguarding the lawful interests of the Company and its shareholders, within the framework as laid down by the Governance Standards and the Listing Rules. In accordance with the principal of integrity, we discharged our duties in an active, pragmatic and cautious manner.

We attended Board meetings and work meetings of the General Manager, took part in major activities of the Company and exercised to the fullest and widest extent effective supervision on the management behavior of the Company's directors, management and senior management as well as the decision-making process of the Company. We put forward our independent opinions to the following matters:

1. Operating status according to laws and regulations

We consider the Company's directors and senior management have complied with the requirements as stipulated in the relevant laws and regulations, the Company's Articles of Association, the Governance Standards and the Listing Rules in their daily management practices, discharged their duties, established comprehensive internal control system, and had operated in an active, cautious and diligent manner within our team, bearing in mind the best interests of the Company. We also consider the Company's process of decision-making is lawful and effective.

During the year, the Company was not involved in any material litigation or proceedings. All directors and managers had operated in strict compliance with the Listing Rules governing listed companies and their management practices are in line with national laws and regulations, the Articles of Association of the Company and the interests of its shareholders. We have not found any of their acts in breach of the laws and regulations and the provisions of the Articles of Association of the Company or infringing the interests of the Company or its shareholders when discharging their duties.

2. Financial conditions of the Company

We have reviewed the Report of the Board of Directors and the Report of General Manager, as well as the 2001 financial statements and the dividend distribution scheme submitted to the general meeting for approval. We are of the view that the financial payments position and operating results of the Company are fairly and correctly reflected and that all the expenses are reasonable. The distribution of dividend is in the interest of domestic and overseas shareholders as well as the long-term development of the Company and is made after the allocation of surplus and public welfare fund according to the relevant laws, regulations and the Articles of Association of the Company. We are satisfied with the results of the year 2001.

The Supervisory Committee endorsed the unqualified 2001 Financial Report of the Company issued by Arthur Andersen & Co. for submission to the general meeting. The financial data in the report fairly and correctly reflected the actual situation of the Company.

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3. Use of proceeds

We consider that the Company has been actively involved in the acquisition of shares in Yangtze Bridge Co. as set out in the prospectus, after A share issue was successfully launched. As at 31st December 2000, RMB 472,670,218 was used to acquire 17.83% equity interest in Yangtze Bridge Co., while the balance of RMB 141,829,782 was further used to acquire 188,650,000 shares, representing 8.83% equity interest in Yangtze Bridge Co.. The shortfall of RMB 102,359,721.25 was paid out of the Company's own capital. As such, Yangtze Bridge Co. has become the Company's associated company, with 26.66% shareholding interests. As at 31st December 2001, all the proceeds from A share issue was used as set out in the prospectus. The acquisition procedures were undertaken in compliance with laws and regulations.

4. Acquisition and disposal of assets

We believe that the acquisition of shares in Yangtze Bridge Co. is in strict compliance with resolutions of the general meeting. The transaction price was determined at arm's length, and the Supervisory Committee is not aware of any insider dealing, breach of any resolution or action prejudicial to the interests of any shareholder or asset of the Company.

5. Connected Transactions

We consider that all contracts, agreements and other documents relating to connected transactions during the year have been properly disclosed by the Company. Such contracts and agreements are at arm's length and in compliance with requirements of laws without prejudicing interests of the Company or its shareholders. The signing and approving procedures also comply with requirements of laws. The connected transactions have been entered in strict compliance with principle of being "fair, equitable and open" and the interests of the Company and its shareholders have been fully safeguarded, so that none of the interests of the Company nor its shareholders are prejudiced.

The Supervisory Committee was satisfied with the achievement of the Company for 2001 and would like to express our sincere thanks to the hardwork of the Board of Directors and the management. At the same time, we would like to express our sincere thanks to the concern and support which the shareholders have been giving to the Company, and to the trust towards the Supervisory Committee. The members of the Supervisory Committee pledge to conscientiously render our services and effectively supervise the Company for the benefit of the Company to protect interests of the shareholders and for the profit maximization of the Company.

By order of the Supervisory Committee

Zhong Zhang Wan

Chairman of the Supervisory Committee

Nanjing, the PRC

8th April 2002