

REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders,

All the members of the supervisory committee of the Company (the "Supervisory Committee") have duly performed their duties in an honest and stringent manner and have undertaken various activities in an active and prudent manner to protect the interests of the Company and its shareholders in accordance with the provisions of the Company Law of the PRC (the "Company Law") and the Company's articles of association (the "Articles") in 2002, and that facilitate the standardized operation and sustainable development of the Company.

1. MEETINGS OF THE SUPERVISORY COMMITTEE AND RESOLUTIONS OF THE MEETINGS

On 26th August, 2002, the first meeting was convened at the offices of the Company, during which the interim report for the year 2002 was considered and approved accordingly.

On 14th February, 2003, the second meeting was convened at the offices of the Company, during which the annual results for the year 2002 was considered and approved accordingly.

2. WORKING PROGRESS OF THE SUPERVISORY COMMITTEE

Apart from attending each board meetings of the Company in 2002, the Supervisory Committee duly supervised and examined the Company's financial condition, operational decisions of the management, lawful operation of the Company, the acts of the directors and senior management. The Supervisory Committee considered that:

- (1) The operating activities of the Company and its subsidiaries in the year ended 2002 have not violated the Company Law, the Articles, financial accounting system, as well as the laws and regulations in the PRC.
- (2) During the course of performing their duties in the year ended 2002, the directors and senior management of the Company fulfilled their fiduciary duties, operated lawfully, satisfied standards for management, honoured and protected the interests of all the shareholders of the Company. None of the parties named above was found in breach of the Company Law, the Articles and the laws and regulations in the PRC.
- (3) The auditors issued their auditor's report with unqualified opinion and no illustrative notes. The auditor's report truly, objectively and accurately reflected the financial condition of the Company.

By order of the Supervisory Committee

Dong Jun-qing

Supervisor

Shenzhen, the PRC, 14th February, 2003