

REPORT OF THE SUPERVISORY COMMITTEE

To : All Shareholders

In 2002, the Supervisory Committee of the Company had diligently performed their duties in strict compliance with the provisions of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to safeguard the interests of the Company, all its staff members and the shareholders.

Major work of the Supervisory Committee during the year:

The fifth and the sixth meetings of the Supervisory Committee were convened to consider and approve the following matters:

1. The 2001 Results Announcement and Annual Report of the Company;
2. The 2001 Report of the Supervisory Committee of the Company;
3. The 2002 Interim Financial Statements of the Company; and
4. The 2002 Interim Results Announcement and Interim Report of the Company.

The attendance of the 2001 Annual General Meeting and the first and the second extraordinary general meetings in 2002 and had carefully reviewed the accounting records, profit distribution proposal and asset reorganization of the Company.

The meetings of the Board of Directors and the Audit Committee were attended to implement stringent supervision over their work.

The Supervisory Committee expressed independent advice on the following matters in accordance with their term of reference:

1. During the year, the Company further refined its operating management mechanisms in order to enhance its overall level and competitiveness.
2. The 2001 Annual Report and the 2002 Interim Report of the Company give an objective, true and fair view of the production operations and financial position of the Company in 2002 and the first half of 2002.
3. During the year, the directors, general manager and other senior management of the Company were committed to enhancing product creativity and devoted efforts in operation management and strived to achieve the operation targets of the Company.
4. During the year, the Supervisory Committee strictly reviewed the asset reorganization of the Company and takes the view that it fully complied with the relevant laws, regulations and other stipulations.
5. During the year, the connected transactions entered into by the Group were in strict compliance with the provisions of the Listing Rules and the waivers, and the Group had disclosed information on timely and accurate basis.

The Supervisory Committee would like to extend its gratitude to the staff and the shareholders of the Company for their trust and support. The Supervisory Committee will actively explore new means of supervision so as to discharge its duties more effectively and to attain the production and operation targets of the Company in 2003.

By order of the Supervisory Committee
Zhu Jian Pai
Chairman of the Supervisory Committee

Chongqing, the PRC
26th February 2003