

Report of the Supervisory Committee

(1) Supervisory Committee meetings during the reporting period

1. At the sixth session of the Third Supervisory Committee meeting held on 8th April 2002

The following resolutions were considered and passed: the Company 2001 Annual Report, Report of the Supervisory Committee and Meeting Agenda of the Supervisory Committee; the nomination of Mr. Zhang Cheng Yu as Supervisor of the Company, and the resignation of Mr. Du Wen Yi from the position of Supervisor 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 9th April 2002.

2. The seventh session of the Third Supervisory Committee meeting held on 15th August 2002

The Interim Report and Summary for 2002 were approved.

(2) Report of the Supervisory Committee

To: All shareholders

Strictly 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 2002 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. We 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 proves of the Company. We put forward our independent opinions on the following matters:

1. Compliance

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 have, bearing in mind the best interests of the Company, cooperated pursuant to the gist of the team spirit and in an active, cautious and diligent manner. We also consider the Company's process of decision-making is lawful and effective.

During the year, the Company did not face or initiate in any material 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.

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 2002 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 making allocations to the surplus and the public welfare fund according to the relevant laws, regulations and the articles of Association of the Company.

The Supervisory Committee endorsed the unqualified 2002 Financial Report of the Company issued by PriceWaterhouseCoopers Zhong Tian CPAs Co., Ltd. and PriceWaterhouseCoopers for submission to the general meeting. The financial data in the report fairly and accurately reflected the actual situation of the Company.

3. Use of proceeds

We consider that the Company has been very active in fulfilling the commitments as set out in the prospectus, after A share issue was successfully launched. As at 31st December 2002, all the proceeds from A shares 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 Sujiahang Company Limited 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 Transaction

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

By order of the Supervisory Committee

Zhong Zhang Wan

Chairman of the Supervisory Committee

Nanjing, the PRC

20th March 2002.