

# REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders,

Since the establishment of the Supervisory Committee of the Company, its members have duly performed its 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").

The major activities of the Supervisory Committee during 2002 were as follows :

- 1 Attending meetings of the Board of Directors, and monitoring the decision making process of the Board of Directors in terms of regulatory compliance, legality and management science;
- 2 Attending the meetings of the office of the Chairman of the Company, participating in other important activities of the Company in the ordinary course of business, and monitoring the daily operation management by the Chairman and other senior officers and providing constructive suggestions thereto; and
- 3 Review the financial statements of the Company on a regular basis and the books and accounts of the Company on an ad-hoc basis.

Having made the above efforts, the Supervisory Committee is of the view that the Directors, Chairman and other senior officers of the Company have diligently implemented their obligations under the Articles and the resolutions passed in general meeting by the shareholders of the Company, honestly discharged their official function and acted in the interests of the Company and its shareholders, without prejudice to the interests of any shareholders or employee of the Company. The Supervisory Committee further confirms that the management of the Company has provided leadership to the staff in production management and market expansion, under which satisfactory results were achieved. Besides, the accounts of income and expenses have been well maintained and the audit activities and financial management have been in compliance with the relevant rules and regulations.

Prior to the forthcoming annual general meeting of the Company, the Supervisory Committee has carefully reviewed the audited reports and financial statements of the Company prepared by the PRC and international auditors of the Company. It has also reviewed the Directors' report and profit distribution proposal to be presented to the shareholders. The Supervisory Committee is of the view that the above reports give a true and fair view of the operating and financial position of the Company for the period under review. It further confirms that the above reports and proposals are prepared in compliance with the relevant laws and regulations and the Articles.

By order of the Supervisory Committee,

**Zhang Cong**

*Chairman of the Supervisory Committee*

Hainan Province, the PRC

19 March 2003