

## Report of the Supervisory Committee

To all Shareholders,

During the year 2003, all members of the Company's supervisory committee had adhered strictly to the stipulations of the Company Law of the PRC (the "Company Law") and the articles of association of the Company ("Articles of Association"), and, on the principle of good faith and prudence, had discharged its duties of supervision in accordance with the relevant regulations and actively as well as cautiously proceeded with various initiatives to safeguard the interest of the shareholders. The supervisory committee had played an effective role in ensuring the Company had operated in conformity with all relevant requirements and contributed to its sustained development.

### 1. Meeting and resolutions of the supervisory committee

The fifth meeting of the first supervisory committee was held on 2nd March, 2003 at the conference room of the Company whereupon the annual results of the Company for 2002 were reviewed and approved.

The sixth meeting of the first supervisory committee was held on 23rd July, 2003 at the conference room of the Company whereupon the matters of electing additional member to the supervisory committee were reviewed and approved.

### 2. Tasks of the supervisory committee in the reporting period

During the year ended 31st December, 2003, not only did we attend all meetings of the board of directors in 2003, we also duly supervised and monitored the financial affairs of the Company, operating-related decisions made by the management, operating activities of the Company in accordance with relevant regulations and the discharge of duties by the Directors and senior management. The supervisory committee is of the opinion that:

- (1) the Company and its subsidiaries had not violated the Company Law, the Articles of Association, the relevant financial and accounting standards, the laws and regulations of the PRC during its course of operation in the year of 2003.
- (2) The directors and senior management of the Company had discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and a high regard to shareholders' interest. While discharging their duties, no violation of the Company Law, the Articles of Association, the relevant financial and accounting standards or the laws and regulations of the PRC had been committed.

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- (3) The auditors issued their audit reports on the financial statements of the Company for the year ended 31st December, 2003, in the standard and unqualified form. The Company's financial statements truly reflected the financial position of the Group and the Company as at 31st December, 2003, and operating results of the Group for the year then ended.

By Order of the Supervisory Committee

**Wu Nan**

*Supervisor*

Baoding Hebei Province, the PRC

25th March, 2004