

REPORT OF THE SUPERVISORY COMMITTEE

I herein report that the Supervisory Committee of the Company has executed the function of monitoring and protected the legal interests of the shareholders and the Company in accordance with the duties stipulated in the Company Law of the PRC and the Articles of Association of the Company during the year ended 31 December 2003.

1. To exercise the functions of monitoring the directors, general manager and other senior officers. In 2003, there was no report or discovery of the violation of the Articles of Association of the Company, the laws and regulations and actions that infringed upon the interests of the Company by the directors, general manager and other senior officers of the Company. In the opinion of the Supervisory Committee, they could carry out their duties honestly, comply with the laws and protect the interests of all the shareholders.

During the year, the Company had no material litigation nor did the Supervisory Committee have any negotiation with the Directors or bring any action against them on behalf of the Company.

2. To review the operation and financial position of the Company. The Supervisory Committee considers that the financial statements of the Company for the year 2003 which has been audited by an international accounting firm reflects a true and fair view of the operating results and assets of the Company in such year.
3. To check the financial statements and the proposal of profit distribution, which were proposed to the general meeting by the Directors. The Supervisory Committee considers that the above statements and the proposal have complied with the provisions of relevant laws and regulations and the Articles of Association of the Company.
4. In accordance with the Articles of Association of the Company, the Supervisors attended the Directors' meetings, participated in the Company's major activities and monitored the matters resolved by the Board of Directors.

By order of the Supervisory Committee

Liu A Nan

Chairman of the Supervisory Committee

Luoyang, the PRC

17 April 2004