

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

For the year ended 31 December 2004, all staff of the Board of Supervisors has complied with the PRC Company Law, the regulations associated therewith, and the Company's Articles of Association and has performed its duties as set forth in the Company's Articles of Association, to protect the Company's interest and the interest of the Company's shareholders.

In 2004, confronted with ever changing world structure and market conditions, the management of the Company, through calm observation, and based on its own characteristics, took effective measures to unite and lead the staff to contribute their efforts and fully elaborate the competitive edges of the Company to seize market opportunities, resulting in a significant increase in the results of the Company. The Board of Supervisors, in view of the new changes in the market supervision process, strengthened its supervising and managing efforts by attending the Board of Directors' meetings and participating in the management's decision-making process. In addition, the Board of Supervisors implemented effective supervision of the Company's daily production and operational activities. The Board of Supervisors regularly reviews the Company's financial statements and accounts and believes that the Company has prepared the financial statements and accounts accurately, comprehensively and in a timely manner. So far as the Board of Supervisors is aware, there are no inappropriate disclosures in the financial statements and accounts.

The Board of Supervisors supervised the Directors and other executive officers in the performance of their duties. The Board of Supervisors believes that all Directors and other executive officers have performed their duties in accordance with the principles of honesty and trustworthiness, and acted in the best interests of the Company. So far as the Board of Supervisors is aware, and apart from as is disclosed in announcements, during the Reporting Period, the Directors and other executive officers have complied with the relevant regulations set out in Appendix 14 of the Listing Rules and relevant regulations of China Securities Regulatory Commission and have not violated any laws, regulations or the Company's Articles of Association.

The Board of Supervisors has conducted a comprehensive analysis of the financial statements of the Company. The Board of Supervisors believes that during the Reporting Period, the operating results of the Company reflected its true business position and that all expenses and costs were reasonable.

The Board of Supervisors has always received strong support in its work from all shareholders, the Board of Directors and the entire staff of the Company. The Board of Supervisors wishes to express its deepest appreciation to all parties concerned.

By Order of the Board of Supervisors
Shang Bo
Chairman of the Board of Supervisors

28 April 2005, Beijing, the PRC



Mr. Shang Bo
Chairman of the
Board of Supervisors