

監事會報告書

REPORT OF SUPERVISORY COMMITTEE

1. Work of the Supervisory Committee

- (1) During the Reporting Period, the Supervisory Committee executed their duties in strict compliance with the PRC Company Law and the Company's Articles of Associations on the inspection of the Company's legal operation, financial management, and the performance of their duties of directors, general manager and other senior managerial staff;
- (2) Members of the Supervisory Committee were present at the 11 meetings of the 2004 Board. The following were presented to the supervisors: the 2003 audited financial report of the Company; the proposed profit distribution plan of the Company for 2003; the 2004 interim financial report of the Company. Through attendance at these meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.
- (3) In 2004, the supervisory committee held seven meetings. Members of the Supervisory Committee of the Company were present at the 2003 AGM, at which the Supervisory Committee gave an account of the 2003 report of the Supervisory Committee, and expressed their independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. Supervisory Committee's view of the Company's operation in 2004:

- (1) The Company followed legitimate decision-making process and established a comparatively complete internal controlling system. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. In performing their duties, the directors, managers and the senior management of the Company strictly executed the resolutions passed at the annual general meeting and board meetings. As far as the Supervisory Committee is aware, the directors, managers and the senior management of the Company have not contravened any laws and regulations and/or the Company's articles of associations or damaged the interests of the Company when performing their duties; and

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REPORT OF SUPERVISORY COMMITTEE (*Continued*)

- (2) During the Reporting Period, the Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2004 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2004. The audited financial reports prepared by Ernst & Young and Shanghai Zhonghua Huysin C.P.A. respectively are objective and fair.
- (3) As far as the Supervisory Committee is aware, connected transactions entered into during the Reporting Period conformed to principles of fairness, openness and impartiality. The prices of these connected transactions were negotiated on an arm's length basis and were conducted on normal commercial terms. Such transactions were not detrimental to the interests of the shareholders, nor resulted in any loss of the Company's assets.

By order of the Supervisory Committee

Kou Laiqi

Chairman of the Supervisory Committee

Shanghai, People's Republic of China

1 March 2005