

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

The new session of the Supervisory Committee began to discharge its duties on March 1, 2000. In order to strengthen the independence of the committee, the Company reorganized the structure whereby the number of members was increased from three to five, and except for one non-executive supervisor and one supervisor representing staff and workers of the Company, the other three members were all independent non-executive supervisors.

The committee held two meetings in 2000. At the first meeting, among others, the Chairman was elected. At the second meeting, the committee reviewed the Company's financial statements and finalized rules of procedure.

In compliance with the Company Law of the PRC, the relevant laws and regulations of Hong Kong and the Company's articles of association, the five-member committee earnestly discharged its statutory supervisory duties, safeguarding the lawful interests of the shareholders and the Company. The main tasks of the committee in 2000 included, among others, attending board meetings; advising on important issues such as the Company's project development, investment decisions and dividend policies; participating in major functions of the Company, and through other means, understanding and monitoring the conduct of the Directors, General Manager and other senior officers in business management and daily operations; and carefully reviewing the financial position of the Company, discussing and reviewing the financial statements and dividend distribution proposal to be submitted by the Board to the annual general meeting.

The committee concludes that the Directors, General Manager and other senior officers of the Company were proactive and enterprising in spirit in 2000. They continued to achieve excellent operating results, providing good returns to shareholders and safeguarding a superior corporate image in the domestic and overseas capital markets.

The committee has examined the financial statements of the Company for 2000 prepared to be submitted by the Board to the annual general meeting, and concluded that the statements accurately reflected the Company's operating results and asset position in 2000 and were in compliance with relevant laws and regulations and the Company's articles of association. The dividend distribution proposal for 2000 increased dividend payout ratio, thereby increasing cash returns to shareholders. Consequently, we endorsed this dividend distribution proposal, and recommended shareholders to approve the proposal at the forthcoming annual general meeting.

The committee reviewed the Report of the Directors to be submitted to the annual general meeting, and considered it to be a fair representation of the Company's actual situation. In the course of the Company's business operations, the members of the Board, General Manager and other senior officers of the Company observed their fiduciary duties and worked diligently while exercising their rights or discharging their duties. We did not find any abuse of power or infringement of the interests of shareholders and employees.

The committee is satisfied with the accomplishments attained by the Company in its various tasks.

By the Order of the Supervisory Committee

Ma Kehua

Chairman of the Supervisory Committee

March 5, 2001