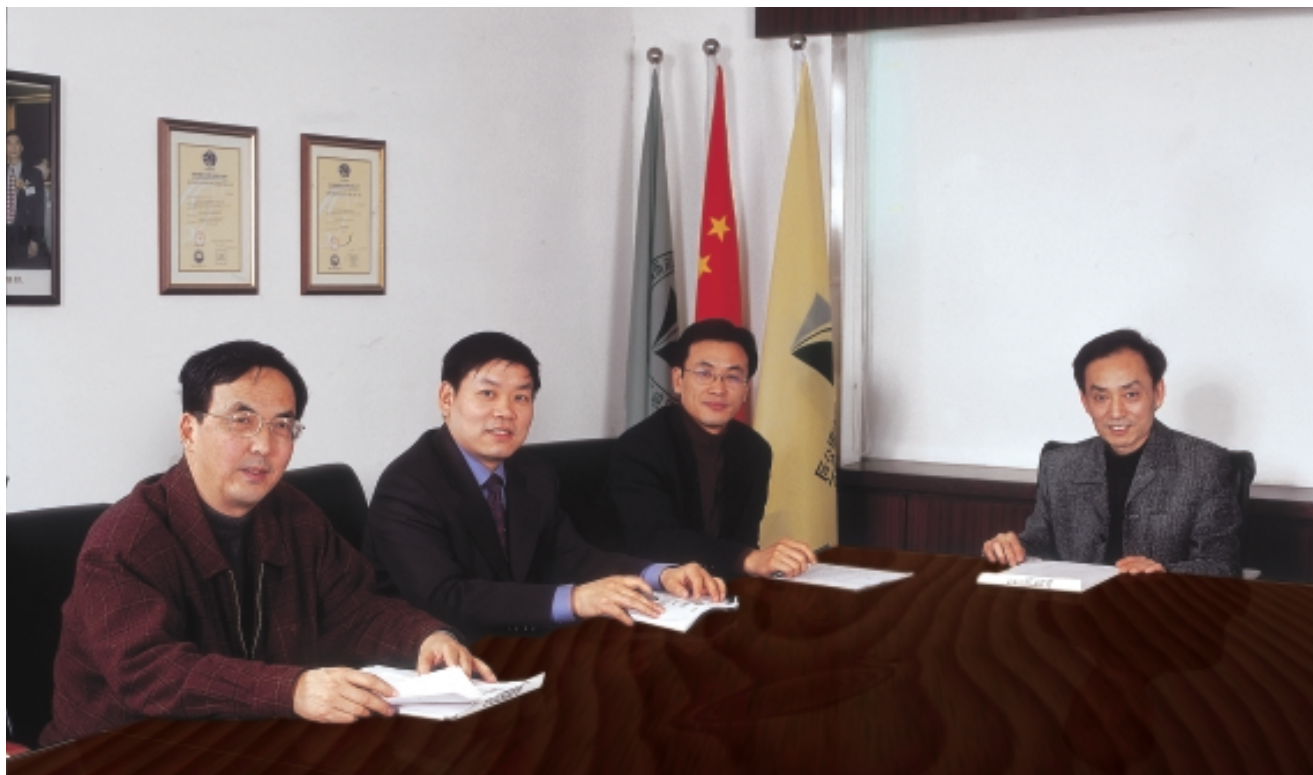


## REPORT OF THE SUPERVISORY COMMITTEE



Dear shareholders:

In compliance with the Company Law of the PRC, the Company's Articles of Association and the Regulations of the Supervisory Committee, the Supervisory Committee earnestly discharged its supervisory duties. Main tasks undertaken by the Supervisory Committee during 2002 were to understand and supervise the legality and appropriateness of activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of site inspections, attendance of meetings of the Board, as well as participating in major corporate events. The Supervisory Committee carefully examined the financial standing of the Company discussed and reviewed the financial statements and dividend distribution proposals to be submitted by the Board to the annual general meeting of the Shareholders.

The Supervisory Committee concluded that the Directors, General Manager and other senior management of the Company achieved continued growth in results in 2002, and laid a strong foundation for further development of the Company by broadening its financing channels through the establishment of a level I ADR program and the issuance of domestic corporate bonds.

The Supervisory Committee reviewed the financial statements of the Company for 2002 prepared by the Board for submission to the general meeting of the shareholders, and concluded that the statements accurately reflected the Company's operating results and asset position in 2002, and conformed to relevant laws, regulations and the Company's Articles of Association. Dividend payout ratio for 2002 was further increased compared to 2001, providing satisfactory returns in cash to the shareholders.

In the course of the Company's business operations, the members of the Board, General Manager and other senior management of the Company observed their fiduciary duties and worked diligently while exercising their rights or discharging their duties. There were no incidents of abuse of power or infringement of the interests of shareholders and employees.

The term of the second session of the Supervisory Committee expired on February 28, 2003. At the extraordinary general meeting of the shareholders held on February 11, 2003, four of the five members of the third session of the Supervisory Committee were elected: Mr. Zheng Qihua (re-elected), Mr. Sun Xiaoxia (re-elected) and Mr. Jiang Shaozhong (newly elected) as independent supervisors, and I myself was re-elected

as representative for shareholders. In addition, Mr. Fang Zhexing was elected by the staff as the supervisor representing employees. The term of the third session of the Supervisory Committee is for a period of three years, starting from March 1, 2003.

Finally, on behalf of the supervisory committee, I would like to thank Mr. Ni Ciyun and Mr. Lu Fan, who no longer serve as supervisors of the Company.

By the order of the Supervisory Committee

**Ma Kehua**

*Chairman of the Supervisory Committee*

March 3, 2003