

## REPORT OF THE SUPERVISORY COMMITTEE

To shareholders:

During the period covered by this report, all the members of the Supervisory Committee acted in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Company's Articles of the Association, adhered to the principle of honesty and trustworthiness, and conscientiously performed their supervisory duties, so as to safeguard the rights and interests of the shareholders.

The Supervisory Committee has held two meetings since its establishment. Ms Zhang Xiuqin was elected the Chairperson of the first Supervisory Committee of the Company at its first meeting on 6 September 2002. The second meeting was held on 1 April 2003 to consider and to examine the audited financial statements of the Company prepared for the year 2002 and to further consider the dividend distribution proposal and the draft auditors' report prepared by KPMG.

The Supervisory Committee believes the audited financial statements of the Company for the year 2002 truly, accurately and objectively reflect the Company's financial condition and results of operations. It further believes the dividend distribution proposal takes into account the interests of shareholders and the Company's long-term development, and the accounting and financial administration comply with the relevant provisions of the Accounting Standards for Enterprises and Accounting System for Enterprises promulgated by the Ministry of Finance of the People's Republic of China.

The Supervisory Committee believes that, in 2002, the Company operated in compliance with its Articles of Association, the Company Law of the People's Republic of China and other relevant PRC laws and regulations as well as regulations promulgated by domestic and overseas securities commissions. All members of the board of directors and the senior management adhere to the principle of diligence, honesty and trustworthiness, worked diligently and made valuable contributions to the development of the Company. As far as the Supervisory Committee is aware of, no member of the board of directors or any senior management has violated any law or regulation of the PRC or the Articles of Association of the Company, nor has any of them been involved in any activity damaging the interests of the Company during the performance of their duties.

In the new financial year, the Supervisory Committee will continue to work diligently to safeguard the interests of the shareholders.

By Order of the Supervisory Committee

**Zhang Xiuqin**

*Chairperson of the Supervisory Committee*

Beijing, PRC

1 April 2003