

Report of the Supervisory Committee

1. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee had held three meetings:

1. The 2nd meeting of the fourth Supervisory Committee was held on 1 April 2003 for approving the 2002 Report of Supervisory Committee; the 2002 financial statements of the Company; the 2002 profit after taxation distribution plan of the Company; the 2002 annual report and its summary; the 2003 financial budget of the Company.
2. The 3rd meeting of the fourth Supervisory Committee was held on 25 April 2003 for approving the 2003 first quarterly report of the Company and the proposal for recruiting the accountants.
3. The 4th meeting of the fourth Supervisory Committee was held on 12 November 2003 for approving the Service Agreement between DFEM and DFEW, which was to be considered and approved to the Company's Extraordinary General Meeting.

The announcement of the above discloseable resolutions passed by the Supervisory Committee were published in the Shanghai Securities Daily and China Security Post in the PRC, and Wen Wei Po and the Standard in Hong Kong on the day after the relevant meetings.

2. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE RELEVANT ISSUES OF THE COMPANY IN 2003

(1) OPERATIONS OF THE COMPANY ARE IN COMPLIANCE WITH THE LAWS

Pursuant to the relevant laws and regulations of the State, the Supervisory Committee has exercised its supervisory and inspection power to oversee the convening procedures and resolutions passed at the shareholders' meetings and meetings of the Board of Directors, and the implementation of the resolutions of the shareholders meetings by the Board of Directors, performance of duties by senior management of the Company, operation of the management system, and general management efficiency of the Company. The Supervisory Committee considered that the performance of the Company's Board of Directors in 2003 was strictly in compliance with the PRC Company Law, PRC Securities Law, Listing Rules, Articles of Association and other PRC laws and regulations. Their operating decisions were scientific and reasonable, and they had further enhanced the internal management and internal control systems of the Company. None of the Directors or the senior management of the Company had been found to be in violation of the laws and regulations, the Articles of Association and had done things detrimental to the interests of the Company or its investors. On such basis, the Company's business achieved a significant growth.

(2) INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY

The Supervisory Committee of the Company carried out serious and careful inspections on the Company's 2003 Financial Report, the Company's profit after taxation distribution plan for 2003, the audit report issued by Shenzhen Pan-China (Schinda) Certified Public Accountants and other documentation to be approved at the Annual General Meeting. The Committee is of the opinion that the Company's 2003 financial statements has truly, accurately, and objectively reflected the financial position and the operation results of the Company. The Committee consented to the audit report issued by the PRC and international auditors and the Company's profit after taxation distribution plan for 2003.

(3) USE OF PROCEEDS

Save and except that the actual use of the proceeds in one item was changed subsequent to occurrence of actual situations, the balance of the proceeds from previous funds raised was applied as planned. The procedures for the change in use of proceeds were in compliance with the laws.

(4) ACQUISITION AND MERGER

During the reporting period, there was no acquisition or merger carried out by the Company.

Report of the Supervisory Committee *(continued)*

(5) CONNECTED TRANSACTION

During the reporting period, all connected transactions between the Company and the relevant parties were considered fair and reasonable. No act detrimental to the Company's interest was found.

(6) EXECUTION OF RESOLUTIONS PASSED AT THE GENERAL MEETINGS

Members of the Supervisory Committee attended the Board meetings and general meetings and had no dissenting view on any report or proposal submitted by the Board at the general meetings. The Supervisory Committee reviewed the execution of resolutions passed at the general meetings and was of the opinion that the Board has diligently executed resolutions passed at the general meetings.

By the order of the Supervisory Committee

Li Hongdong

Chairman of the Supervisory Committee

19 March 2004

