

SUPERVISORY COMMITTEE'S REPORT

Dear Shareholders,

(I) OVERVIEW OF SUPERVISORY COMMITTEE

During the reporting period, all the member of the Supervisory Committee of the Company have acted in good faith, performed faithfully and fulfilled their duties as prescribed in the Company Law of the People's Republic of China and the Articles of Association of the Company to protect the interests of the Company and its shareholders.

The Supervisory Committee monitors the activities of the Board of Directors, the General Manager and other senior management staff through various means including attendance at the Board of Directors' meeting.

(II) DETAILS OF THE SUPERVISORY COMMITTEE MEETINGS AS FOLLOWS:

1. On 6th April, 2003, the fourth Supervisory Committee held its third meeting which the Committee passed the 2002 Supervisory Committee Report, regulations on Supervisory meeting and passed the resolutions to the Annual General Meeting, passed the Company's audited 2002 financial report, review of operations and appropriation scheme and reviewed the audited reports issued by the auditors.
2. On 16th August, 2003, the fourth Supervisory Committee held its fourth meeting which the Committee passed the Company's 2003 interim report.

(III) THE OPINION OF THE SUPERVISORY COMMITTEE

In the opinion of the Supervisory Committee:

1. The Supervisory Committee considered that the Directors, General Manager and other senior management of the Company had executed all the resolutions passed during the shareholders' meeting and Directors' meeting and had acted carefully and diligently in accordance with their statutory power and by the relevant laws and regulations. The Company had proper internal control system.
2. In the opinion of the Supervisory Committee, the audited financial statements issued by Messrs. Xian Xigema Certified Public Accountants and Messrs. Deloitte Touche Tohmatsu were prepared in accordance with the relevant rules and regulations and present a true and fair view on the Company's financial position and operating results.
3. The related party transactions entered into by the Company and its related parties during the reporting period were conducted at arms length, fair and are in the best interests of the Company.

On behalf of the Supervisory Committee

Mr. Liu Gang

Chairman of the Supervisory Committee

18th April, 2004