

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

During the reporting period, the Board of Supervisors has complied with the Company Law, regulations of the PRC, and the Company's Articles of Association and has performed its duties set forth in the Company's Articles of Association, to protect the Company's interest and the interest of the Company's shareholders.

In 2000, confronted with adversities such as higher prices for main materials and less efficient production hours, the senior management of the Company faced the realities objectively, based itself upon its own characters and implemented corresponding reforming measures and strategies decisively in the best interests of the Company and has achieved a satisfactory operation performance. The Board of Supervisors strengthened its supervising and managing efforts, and by attending Board of Directors' meetings, participated in the Company's management decision-making process. The Board of Supervisors regularly reviews the Company's financial statements and accounts and believes that the Company has prepared the financial statements and accounts accurately, comprehensively and on a timely basis. So far as the Board of Supervisors is aware, there was no irregularity disclosed in the financial statements and accounts.

The Board of Supervisors supervised the Directors and other Executive Officers in the performance of their duties. The Board of Supervisors believes that all Directors and other Executive Officers had performed their duties in accordance with the principles of honesty and trustworthiness, and acted in the best interests of the Company. So far as the Board of Supervisors is aware, the Directors and other executive officers have complied with the relevant regulations set out in Appendix 14 of the Rules Governing the Listing of Securities issued by the SEHK and relevant regulations of China Securities Regulatory Commission and have not violated any applicable laws, regulations or the Company's Articles of Association.

The Board of Supervisors had comprehensively analyzed the financial statements of the Company to be presented in the annual general meeting. The Board of Supervisors believes that during the reporting period the operating results of the Company reflected the true business position, all expenses and costs were rational, the distribution of profit were in the interests of shareholders and for the future development of the Company, and the surplus reserves and public welfare funds transferred from the current year net profit were in accordance with the laws and regulations, as well as the Company's Articles of Association.

The Board of Supervisors has always received strong support in its work from all shareholders, the Board of Directors and the entire staff. The Board of Supervisors wishes to express its deepest appreciation.

By Order of the Board of Supervisors

Shang Bo

Chairman of the Board of Supervisors

12th April, 2001, Beijing, PRC

Directors, Supervisors and Senior Management



Mr. Shang Bo
Chairman of the
Board of Supervisors