

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

For the year ended 31 December 2003, all staff of the Board of Supervisors has complied with the Company Law of the PRC, the regulations associated therewith, and the Company's Articles of Association and has performed its duties as set forth in the Company's Articles of Association, to protect the Company's interests and the interests of the Company's shareholders.

In 2003, confronted with the ever-changing global situation and the sudden outbreak of SARS in Beijing, the management of the Company, through calm observation, and based on its own characteristics, took effective measures to unite and lead the staff to contribute their efforts and fully demonstrate the competitive edge of the Company by seizing market opportunities; thus resulting in a significant improvement in the results of the Company. In view of the new changes in the market supervision process, the Board of Supervisors strengthened its supervising and managing efforts by attending the Board of Directors' meetings and participating in the management's decision-making process. In addition, the Board of Supervisors oversaw the Company's daily production and operating activities by implementing an effective supervision system. 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 in a timely manner. So far as the Board of Supervisors is aware, there are no inappropriate disclosures in the financial statements and accounts.



*Mr. Shang Bo
Chairman of the
Board of Supervisors*

The Board of Supervisors supervised the Directors and other executive officers of the Company in the performance of their duties. The Board of Supervisors believes that all Directors and other executive officers of the Company have performed their duties in accordance with the principles of honesty and trustworthiness, and have acted in the best interests of the Company. So far as the Board of Supervisors is aware, and apart from as is disclosed in announcements, during the year ended 31 December 2003, the Directors and other executive officers of the Company have complied with the relevant regulations set out in Appendix 14 of the Listing Rules and the relevant regulations of the China Securities Regulatory Commission and have not violated any laws, regulations or the Company's Articles of Association.

The Board of Supervisors has conducted a comprehensive analysis of the Company's financial statements to be presented at the Annual General Meeting. The Board of Supervisors believes that the operating results of the Company reflects its true business position during the year ended 31 December 2003 and that all expenses and costs were reasonable. The proposed profit appropriation plan is made in the interests of shareholders and for the future development of the Company, as well as in accordance with relevant laws, regulations and the Company's Articles of Association.

The Board of Supervisors has always received strong support for its work from all shareholders, the Board of Directors and the entire staff of the Company. The Board of Supervisors wishes to express its deepest gratitude to all parties concerned.

By Order of the Board of Supervisors
Shang Bo
Chairman of the Board of Supervisors

2 April 2004, Beijing, the PRC