

Report of The Supervisory Committee

To all the shareholders:

On behalf of the Supervisory Committee of the Company (the “Supervisory Committee”), I hereby report for your review, the duties performed by the Supervisory Committee during the year ended 31 December 2003 in accordance with the Company’s Articles of Association.

During the year, four meetings were held by the Supervisory Committee, details of which are set out as follows:

1. The 12th meeting of the Second Section of the Supervisory Committee was held on 21 March 2003, at which the following resolutions were passed: .
 - the 2002 Directors’ Report;
 - the 2002 audited accounts;
 - the 2002 auditors’ reports;
 - the re-appointment of Guangzhou Yangcheng Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers, as domestic and international auditors respectively, and to recommend the 2002 AGM to authorise the Board to determine the auditors’ remuneration;
 - the scheme of profit distribution and dividend payment for 2002;
 - the projected profit distribution policy of the Company for 2003;
 - the aggregate amount of emoluments to be paid to the Directors and Supervisors in 2003;
 - to recommend the 2002 AGM to authorise the Board to allot and issue new shares; and
 - to convene the 2002 AGM.
2. The 13th meeting of the Second Section of the Supervisory Committee was held on 15 August 2003, at which the connected transaction in relation to the increase in the registered capital of Guangzhou Han Fang by the Company’s controlling shareholder namely GPLH and five individuals such as Mr. Liu Ju Yan was passed.

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3. The 14th meeting of the Second Section of the Supervisory Committee was held on 15 August 2003, at which the following resolutions were passed:
 - the interim report of the Company for the first half of 2003;
 - the unaudited financial accounts and the profit distribution scheme for the first half of 2003.
4. The 15th meeting of the Second Section of the Supervisory Committee was held on 17 October 2003, at which the 2003 3rd quarterly report was passed.

During Reporting Period, all the Supervisors of the Company have complied with the PRC Company Law, the Company's Articles of Association, and the Listing Rules, have fulfilled their responsibilities, safeguarded the interests of the Company and the shareholders, abided by the principal of honesty and trustworthiness, and devoted themselves to working cautiously and diligently. The Supervisory Committee considered that the operation decisions made by management of the Company during the year are in compliance with the rules and regulations of the State, the Articles of Association as well as the Listing Rules, and are in the interests of the Company's prospects and its shareholders. The Company's Directors and management have not committed any acts in breach of rules and regulations, the Articles of Association, nor have they engaged in any acts involving the infringement of the Company's interest or infringement of shareholder interests.

The Supervisory Committee carefully reviewed the 2003 auditors' reports issued by domestic and international auditors and was in line with their opinion that the audited accounts of the Group and the Company for the year ended 31 December 2003 exhibited a true and view of the state of the Group and the Company as at 31 December 2003 and the results of the Group for the year then ended. The domestic and international auditors issued unqualified auditors' reports respectively on the accounts of the Company and the Group for the year ended 31 December 2003.

The Company issued 78,000,000 A shares on 10 January 2001, and the net proceeds raised amounted to RMB737.99 million. The use of the proceeds from the issue of A shares was in line with the undertakings made in the prospectus for the issue of A shares. All of the proceeds were utilised in prospective projects. During the year, there was no improper use of the proceeds.

The considerations for the purchase and sales of the assets are reasonable and on an arm's length basis. There have been no inside dealing transactions or transactions which harm the interests of shareholders or led to the loss of the Company's assets. The connected transactions are conducted on an arm's length basis and do not involve any actions which may harm the interests of the Company.

On behalf of the Supervisory Committee
Chen Canying
Chairman

Guangzhou, PRC
26 March 2004