

*Financial data contained therein are extracted from the accounts prepared in accordance with IAS*

### **To all Shareholders:**

During the report period, all the Supervisors of the Company have complied with the Company Law and the Company's Articles of Association, fulfilled their responsibilities, protected the interests of the Company and the shareholders, abided by the principles of honesty and trustworthiness, and devoted themselves to working cautiously and diligently.

The Supervisory Committee held three meetings during the report period, details of which are as follows:

1. The second meeting of the third term Supervisory Committee was held at the Conference Centre of Yihua Hotel of the Company, Yizheng City, Jiangsu province, the PRC on 10 March 2000. The meeting considered and passed the report of the Supervisory Committee for the year 1999.
2. The third meeting of the third term Supervisory Committee was held at the Conference Centre of Yihua Hotel of the Company, Yizheng City, Jiangsu province, the PRC on 29 June 2000. The meeting considered the summary report of the Independent Supervisory Committee submitted to the 1999 AGM.
3. The fourth meeting of the third term Supervisory Committee was held at the Conference Centre of Yihua Hotel of the Company, Yizheng City, Jiangsu province, the PRC on 26 August 2000. The meeting considered and passed the 2000 Interim Report, and the resolutions regarding that no interim dividend would be paid for the year 2000.

In 2000, under the leadership of the Board, the Company focused on the annual target, faced the market challenges, took advantages of the improved national macroeconomic environment and market situation, put more emphasis on technical transformation, further promoted structural adjustment, deepened the various reforms within the Company and intensified internal management. By doing so, the Company raised its comprehensive competitiveness, fulfilled all the annual targets and made outstanding operational achievements in operation. Compared with the same period of last year, the profits attributable to shareholders amount to Rmb840,228,000 and earnings per share is Rmb0.21, increased by 8.1 percent and 8.1 percent respectively. The output and sales volume of the products significantly increased. Operation continued to be good in quality and low in consumption, with the comprehensive energy consumption of the products decreased by 7.9 percent over the same period of last year. The differential rate of the products and the level of high value-added products increased further. The Company strengthened its financial management. Its asset structure continued to be optimized and maintained a relatively good asset-liability ratio. The return on net assets reached 9.3 percent and assets values were reserved and increased.

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By attending the meetings of the Board and attending the management meetings of the General Manager by the Chairman of the Supervisory Committee, the Supervisory Committee reviewed the reports of the Board and of the General Manager. The Independent Supervisors also took part in the relevant work of the Audit Committee and Salary Committee under the Board. In this way, the Supervisory Committee provided suggestions on the Company's strategies, operation, technology upgrades and internal management. It effectively monitored the Company to ensure that the guiding principle of decision-making process and the corresponding solutions be in accordance with the laws and regulations of the State, the Company's Articles of Association, resolutions of the shareholders' meetings and be in the shareholders' interests. In 2000, the Company carried out the activity of appraising the cadres by the masses and the senior managers earnestly provided their performance reports as required. The Supervisory Committee appointed some members to take part in this activity and got necessary information about the senior managers in observing laws and regulations and honestly performing their duties in operation.

The Supervisory Committee believes that:

1. During the report period, the Company has operated strictly in compliance with the Company Law, the Company's Articles of Association, other related laws and regulations and the requirements of the regulatory bodies at home and abroad. The Directors and senior management worked for the best interests of the Company, diligently performed the duties as stimulated in the Company's Articles of Association, earnestly carried out the resolutions of the shareholders' meetings and the Board, and strictly operated under the regulations to the international listed company.

During the report period, the Company did not violate any laws, regulations or the Company's Articles of Association, and the Company was not involved in any material litigation.

2. The Supervisory Committee has earnestly reviewed the relevant information on the Accounts for the year 2000 audited by KPMG and KPMG Peat Marwick Huazhen, which an unqualified audit opinion was issued. These accounts will be submitted to 2000 AGM later for approval. The Supervisory Committee believes that the Accounts reflect the Group's state of affairs and operating results truly, accurately and objectively. The results of the Company are true, all expense and costs are rational, the reserves transferred from the income statement are in accordance with the laws and regulations and the Company's Articles of Association. The financial structure of the Company is excellent.
3. The connected transactions and information disclosures have been in compliance with the relevant regulations, and there was nothing identified that has hurt the interests of shareholders or has caused any reduction of assets of the Company.

By Order of the Supervisory Committee

**Huang Gui-geng**

*Chairman*

13 April 2001, Nanjing