

## Report of the Supervisory Committee

### 1. Meetings of the Supervisory Committee during the period

The Supervisory Committee held three meetings during the period, mainly covering the following:

- (1) The 15th meeting of the Second Supervisory Committee was held on 15th March 2001, wherein the following resolutions were passed:
  - a. the 2000 Supervisory Committee working report of the Company;
  - b. agreed with the 2000 annual report and the report summary of the Company;
  - c. agreed with the 2000 financial balance sheet report and the 2001 financial budget report of the Company;
  - d. agreed with the 2000 profit appropriation plan of the Company;
  - e. agreed with the 2001 profit distribution policy plan of the Company;
  - f. the Board of Directors and operating team of the Company seriously implemented the various resolutions of the shareholders meetings and the Board in 2000, and their operations were found to be in compliance with the relevant requirements in the Company Law and the Articles of Association. None of the Directors and the senior management of the Company have been found to be in violation of the State laws and regulations, the Company's Articles of Association and detrimental to the interests of the Company when carrying out their duties;
  - g. PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers issued their respective auditors' report for 2000 with unqualified opinion on the financial statements, which truly reflected the actual financial situation and operating results of the Company.

Notice of the resolution of the meeting of the Supervisory Committee was published in Shanghai Securities, Hong Kong Wen Wei Po and Hong Kong iMail on 19th March 2001.

- (2) The 16th meeting of the Second Supervisory Committee was held on 30th July 2001, wherein the following resolutions were passed:
  - a. agreed with the working report for the first half year 2001 of the Supervisory Committee;
  - b. agreed with the 2001 interim financial accounting report audited by certified public accountants in the PRC based on the independent auditing principles of the PRC;

**1. Meetings of the Supervisory Committee during the period (Cont'd)**

- c. agreed with the 2001 interim financial accounting report reviewed by overseas certified public accountants based on the auditing principles issued by the Hong Kong Society of Accountants;
- d. agreed with the 2001 interim report and summary of the 2001 interim report published in the PRC and overseas respectively;
- e. agreed with the 2001 profit appropriation plan of the Company;
- f. agreed with the 2001 second half year plan of the Company;
- g. the Board of Directors and management of the Company seriously implemented the various resolutions of the shareholders meetings and the Board in the first half year 2001, and their operations were found to be in compliance with the relevant requirements in the Company Law and the Articles of Association. None of the Directors and the senior management of the Company have been found to be in violation of the State laws and regulations, the Company's Articles of Association and detrimental to the interests of the Company when carrying out their duties;
- h. PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers issued their respective auditors' report for 2001 with unqualified opinion on the financial statements, which truly reflected the actual financial situation and operating results of the Company.

Notice of the resolution of the meeting of the Supervisory Committee was published in Shanghai Securities, Hong Kong Wen Wei Po and Hong Kong iMail on 1st August 2001.

- (3) The 17th meeting of the Second Supervisory Committee was held on 24th September 2001, wherein the following resolutions were passed:

Agreed with the resolutions made in the 19th meeting of the Second Board of Directors. All current supervisors attended in the Board meeting, and considered that the convening of the Board meeting was in compliance with the Company Law and the Articles of Association, and the resolutions passed in the meeting were fair and reasonable.

Notice of the resolution of the meeting of the Supervisory Committee was published in Shanghai Securities on 25th September 2001, Hong Kong Wen Wei Po and Hong Kong iMail on 26th September 2001.

## 2. Independent opinion of the Supervisory Committee on the relevant issues of the Company in 2001

### (1) Operations of the Company in compliance with the laws:

Pursuant to the relevant laws and regulations of the State, the Supervisory Committee of the Company has carried out supervision on the Company's shareholders meetings, the convening procedures of the Board of Directors, resolutions and the implementation of the resolutions of the shareholders meetings by the Board of Directors, and considered that the performance of the Company's Board of Directors in 2001 was strictly in compliance with the Company Law, Securities Law, Listing Rules, Articles of Association and other laws and regulations, and that their works were serious and responsible, their operating decisions scientific and reasonable, and further upgraded internal management and internal control systems, setting up a good internal controlling mechanism. None of the Directors and the senior management of the Company have been found to be in violation of the laws and regulations, the Articles of Association and detrimental to the interests of the Company when carrying out their duties.

### (2) Inspection of the financial situation of the Company:

The Supervisory Committee of the Company carried out serious and careful inspections on the financial system and financial situation of the Company, and considered that the 2001 financial report of the Company could truly reflect the financial situation and operating results of the Company. The auditing opinion and appraisals of PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. were objective and fair.

### (3) The Company's last fund raising exercise was conducted through Tianjin Bohai Chemical Industry (Group) Company Limited, the Company's predecessor, in June 1995. On 20th December 2000, Tianjin Bohai Chemical Industry (Group) Company Limited, the Company's predecessor, approved in the Company's extraordinary general meeting to undergo an asset restructuring, pursuant to which all businesses, assets and liabilities of the former company Tianjin Bohai Chemical Industry (Group) Company Limited were disposed of by the Company. The assets of the Company after the disposal did not have any relation to the proceeds of the last fund raising exercise. The application of proceeds from the last fund raising exercise did not have any relation to the operation of the Company at present. It would be difficult for the present supervisors of the Company's Supervisory Committee to understand the actual use of proceeds and its application from the fund raising exercise conducted by the former company Tianjin Bohai Chemical Industry (Group) Company Limited before the restructuring. As a result of the reasons stated above, the Company's Supervisory Committee was not able to issue an opinion on the application of proceeds from the previous fund raising exercise. The certified public accountants were also not able to audit the application of proceeds from the previous fund raising exercise.

**2. Independent opinion of the Supervisory Committee on the relevant issues of the Company in 2001 (Cont'd)**

- (4) Transaction prices of the acquisitions and disposal of assets by the Company were reasonable, and no insider dealing was discovered to be detrimental to the interests of part of the shareholders or have caused to the depletion of the assets of the Company.
- (5) The connected transactions of the Company were fair, and were not harmful to the interests of a listed company, and no insider dealing has occurred.
- (6) Implementation of the resolutions of the shareholders meetings.

The members of the Supervisory Committee of the Company attended the various Board meetings and shareholders general meetings of the Company, and the Supervisory Committee of the Company has no objection to the various reports and resolutions raised for approval by the Board of Directors to the shareholders' general meetings. The Supervisory Committee of the Company carried out supervision on the implementation of the resolutions of the shareholders' general meetings and considered that the Board of Directors of the Company could seriously implement the relevant resolutions of the shareholders' general meetings.