



To all Shareholders:

During the reporting period, all the Supervisors of the Company have complied with the Company Law, the Standards for the Governance of Listed Companies 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 worked diligently.

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

1. The tenth meeting of the third term Supervisory Committee was held on 29 March 2002. Four Supervisors attended the meeting and one was absent for business. The meeting considered the General Manager's report, the proposed scheme of profit distribution for 2001, the resolution regarding the remuneration of Directors, Supervisors and Senior Management for 2001. The meeting considered and passed the report of the Supervisory Committee for the year 2001.
2. The eleventh meeting of the third term Supervisory Committee was held on 27 June 2002. Four Supervisors attended the meeting and the other one was absent for business. The meeting considered the report of the Board for the year 2001, the General Manager's report and the relevant resolutions for submission to the 2001 AGM for approval.
3. The twelfth meeting of the third term Supervisory Committee was held on 19 August 2002. All Supervisors attended the meeting. The meeting considered the resolution regarding no payment of interim dividend and the Interim Report for 2002.
4. The thirteenth meeting of the third term Supervisory Committee was held in writing on 16 December 2002. The meeting considered the summary report of the third term Board and passed the summary report of the third term Supervisory Committee.
5. The first meeting of the fourth term Supervisory Committee was held on 20 December 2002. All Supervisors attended the meeting. The meeting elected Chairman of the fourth term Supervisory Committee.

In 2002, under the leadership of the Board, the Company persisted to follow the market lead and its aim for profitability and succeeded in its initiatives of market expansion, cost reduction and maximise profit. In spite of the severe market situation, the Company continued to take its advantage of economies of scale, carried on its programs of technological advancement and structural adjustment. The company continued to focus on technical innovations. The PTA project with an annual capacity of 450,000 tonnes and staple fibre project with an annual capacity of 90,000 tonnes are on schedule. Great effort was made to develop new products and increase values, in order to meet the changing market needs. In 2002, the differential rate of staple fibre products was as high as 40.9 per cent, and the strategies of structural adjustment and technological advancement had resulted in a considerable economic benefits.

Abided by the laws, the Company operated under the strategic decisions made by the Board. The Board adjusted the development strategies, considered and approved major development plans and annual operating plans, and appointed the management team on a timely manner. The members of the Supervisory Committee were involved closely in the work of the Strategic Development Committee, Performance Evaluation Committee and Audit Committee under the Board.



In compliance with the regulations made by the State Economic & Trade Commission and CSRC, the Company put great emphasis on internal controls, especially in those key areas such as corporate capital management, budget management, procurement and stock management, sales management, asset investment management, cash flow management and cost management.

The supervisory committee believes that:

1. During the reporting period, the Board and the Senior Management operated in strict compliance with the laws and related regulations governing the conduct of an international listed company, devoted themselves to the required responsibilities specified in the Company's Articles of Association, and earnestly carried out all the resolutions of the shareholders' meetings and the Board meetings. During the reporting period, the Company, the Directors and the Senior Management did not violate any laws, regulations or the Company's Articles of Association, and the Company was not involved in any material litigation and arbitration.
2. The Supervisory Committee has earnestly reviewed the relevant information on the Financial Statements audited by KPMG and KPMG Huazhen, in which an unqualified audit opinion was issued. The Supervisory Committee believes that the Financial Statements reflect the Group's state of affairs and operating results in the report year truly, accurately and objectively.
3. The Company's connected transactions were in compliance with the relevant regulations, all connected transactions were entered into according to the agreements, under such principles as fairness and justice, and there was nothing identified that had hurt the interests of shareholders or had caused any reduction of assets of the Company.

The Supervisory Committee will continue to perform its duties earnestly, to protect the interests of the shareholders, and to make greater contribution to the Company's development.

By Order of the Supervisory Committee

Huang Gui-geng

Chairman

4 April 2003