

# Report of the Supervisory Committee

## TO ALL SHAREHOLDERS,

During the reporting period, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner and adhered to the principle of fairness and honesty to effectively protect the interests of the Company and its shareholders in accordance with the relevant provisions of the Company Law of the PRC and the Company's Articles of Association, and had achieved better supervisory efficiency as a result of its accumulated determination on supervising the Company's finance conditions and the senior management's performance of their duties. I hereby, on behalf of the Supervisory Committee of the Company, present its working report of 2005 as follows:

### 1. Performance of the Supervisory Committee

During the year of 2005, the Supervisory Committee convened a total of 4 meetings. The specific time, place, attendance records and agenda of the meetings are set out as follows:

- (1) On 28 February 2005, the 7th meeting of the 2nd Supervisory Committee was convened at the Company's meeting room on the 4th floor, all the three members of the Supervisory Committee attended. At the meeting, "the Working Report of the Supervisory Committee for 2004", "the Audited Financial Report for the Year Ended 31 December 2004", "the Profit Allocation Proposal for 2004" and "the Financial Report on the Final Account for 2004" were reviewed and approved;
- (2) On 13 May 2005, the 8th meeting of the 2nd Supervisory Committee was convened at the Company's meeting room on the 4th floor, all the three members of the Supervisory Committee attended. At the meeting, amendment of "the Power and Steam Supply Agreement" entered into between the Company and Holding Company on 25 August 2003 were discussed and approved;

- (3) On 13 August 2005, the 9th meeting of the 2nd Supervisory Committee was convened at the Company's meeting room on the 4th floor, all the three members of the Supervisory Committee attended. At the meeting, "the Proposal on Acquisition of Partial Thermal Power Assets of Shandong Weiqiao Chuangye Group Company by the Company", "the Proposal on Sales of Surplus Electric Power to Shandong Weiqiao Chuangye Group Company by the Company" and "the Proposal on Leasing of Land Use Rights from Shandong Weiqiao Chuangye Group Company by the Company" were reviewed and approved.
- (4) On 26 August 2005, the 10th meeting of the 2nd Supervisory Committee was convened at the Company's meeting room on the 4th floor, all the three members of the Supervisory Committee attended. At the meeting, the Interim Results Announcement of the Company were reviewed and approved.

### 2. Independent Opinions of the Supervisory Committee on Relevant Issues of the Company for 2005

- (1) The Supervisory Committee had performed stringent supervision and review on the convening procedures and resolutions of the AGM and meetings of the Board of Directors, execution of the AGM resolutions, performance of the senior management as well as the Company's internal control system in

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accordance with the relevant provisions of the Listing Rules of the Stock Exchange of Hong Kong Limited and the requirements of the Company's Articles of Association.

The Supervisory Committee agrees that: the Board of Directors and the senior management of the Company had been carrying out well-regulated operations in compliance with the Company Law, Securities Law, the Articles of Association and the relevant rules and regulations of the Stock Exchange of Hong Kong Limited. Their performance is reliable and their resolutions are logical and reasonable, with which the management policies were further improved, and all the operations were in compliance with the relevant laws and regulations. There had not been any cases of violation of laws, regulations, Articles of Association or the interests of our shareholders.

- (2) The Supervisory Committee had thoroughly reviewed the Audited Financial Report for 2004, the Finance Report on the Final Account for 2004, the Profit Allocation Proposal 2004, the Annual Results Announcement for 2004 and the Interim Results Announcement for 2005.

The Supervisory Committee agrees that: the financial report and results announcement of the Company are authentic and reliable, which give an objective and fair view of the Company's financial condition and operational results. During the year, the senior management of the Company kept striving for rectification and innovation, which led to further improvement of the financial condition, remarkable increase in sales income and profit, improvement on capital structure and quality as well as upgrading capital utilization efficiency.

- (3) The connected transactions carried out by the Company continuously improved and were under control, with all transactions remained within the approved limit by the Stock Exchange of Hong Kong Limited.

In 2006, the Supervisory Committee will continue to perform honestly its supervising duties on reviewing the financial conditions of the Company, the compliance of the connected transactions with relevant regulations as well as the senior management's performance of their duties in accordance with the requirement and relevant provisions of the PRC Company Law and the Company's articles of association, and strive for greater achievements.

By order of the Supervisory Committee

*Chairman of the Supervisory Committee*  
**Lu Tianfu**

Shangdong, the PRC  
4 April, 2006