

# **Report of the Supervisory Committee**

To Shareholders:

During the year, all the members of the supervisory committee ("Supervisory Committee") of Luoyang Glass Company Limited have complied with the Company Law of the PRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company's Articles of Association, abided by the principle of honesty and trustworthiness, fulfilled their responsibilities, protected the interests of the Company and the shareholders and devoted themselves to work cautiously and diligently.

Three meetings were held by the Supervisory Committee during the year, details of which are as follows:

1. The first meeting of the third Supervisory Committee was held on 28 March 2000. The meeting elected Mr Liu Baoying as the chairman of the Supervisory Committee.
2. The second meeting of the third Supervisory Committee was held on 26 April 2000. The meeting considered and approved the report of the Supervisory Committee for the year 1999, considered and reviewed the directors' report for the year 1999 and the financial statements for the year 1999.
3. The third meeting of the third Supervisory Committee was held on 14 August 2000. The meeting considered and reviewed the interim financial statements for the year 2000.

All members of the Supervisory Committee attended the meetings of the board of directors and meetings of shareholders. The Supervisory Committee effectively performed their duties of supervision to ensure the legality of these meetings and protection of the interests of the shareholders.

The Supervisory Committee has inspected the financial statements prepared in accordance with the PRC Accounting Rules and Regulations and the International Accounting Standards for the year 2000 which have been audited by KPMG Peat Marwick Huazhen and KPMG Hong Kong respectively without qualifications. The Supervisory Committee believes that the financial statements reflected the Company's financial position and operating results truly, objectively, completely and accurately.

The Supervisory Committee is of the opinion that the Company's connected transactions were fair and entered into on normal commercial terms and did not harm the interest of the Company.

The Supervisory Committee is of the opinion that the considerations for acquisition or sale of assets are fair, and there was no insider dealing which was detrimental to the interests of certain shareholders or has caused the reduction of assets from the Company.

The Supervisory Committee is of the opinion that, during the year, the Company's directors and senior management have not violated any laws and regulations and the Company's Article of Association or has hurt the interests of the Company.

By order of Supervisory Committee

**Liu Baoying**

*Chairman of Supervisory Committee*

17 April 2001