



Chapter VIII Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

The Supervisory Committee held three meetings during the year. They were the sixth meeting of the second-term Supervisory Committee, the first meeting of the third-term Supervisory Committee, and the second meeting of the third-term Supervisory Committee. At the sixth meeting of the second Supervisory Committee, the following, among other things, were approved: the Report with its Summary of the Company for the year 2000 and the profit appropriation scheme of the Company for 2000. At the Extraordinary General Meeting held on 15 August 2001, the third Supervisory Committee of the Company was formed. At the first meeting of the third Supervisory Committee, Mr. Yin Shouen was elected Chairman of the Supervisory Committee, with Mr. Liu Xitong being elected as the Vice-Chairman. At the second meeting of the third-term Supervisory Committee, the following, among other things, were approved: the full text of the Interim Report with its Summary of the Company for the year 2001 and the profit distribution scheme of the Company for 2001.

2. Opinion of the Supervisory Committee on the lawful operation of the Company

In accordance with the relevant State laws and regulations, the Supervisory Committee conducted its conscientious monitoring of the procedure of convening the general meetings and the Board meetings of the Company, the resolutions, the implementation by the Board of the resolutions of the general meetings, the discharge of duties by the senior management of the Company, and the internal management system of the Company. The Supervisory Committee is of the opinion that the Board could engage itself in standardised operation in pursuance to the Companies Law, the Securities Law, the Articles, and the relevant laws and regulations. The Board members worked diligently and responsibly, with scientific and national decision-making. Every management system of the Company became more sound and was consistently run. The Supervisors were not aware of the Directors and senior management of the Company discharging duties in contravention of the state regulations and the Articles of Association or in prejudice against the interests of the Company.

3. Opinion of the Supervisory Committee on the financial condition of the Company

The Supervisory Committee made a conscientious review on the profit distribution scheme of the Company for 2001 submitted by the Board of the Company for approval at the general meeting and the relevant materials in respect of the auditors' report for 2001 prepared by the domestic and international auditors with unqualified opinion. The Supervisory Committee considers that the auditors' report of the Company for 2001 reflects in an objective way the financial conditions and operating results of the Company.

4. Opinion of the Supervisory Committee on the use of proceeds by the Company in investments

The recent application of proceeds by the Company was in line with its committed plan.

5. Opinion of the Supervisory Committee on related party transactions

During the year, every related party transaction of the Company was disclosed in accordance with the relevant disclosure requirements, and the transaction prices were settled according to prevailing market prices. Nothing was found detrimental to the interests of the Company.