

# **REPORT OF THE SUPERVISORY COMMITTEE**

To All Shareholders,

In 2001, all the members of the Supervisory Committee actively performed their tasks in protecting the interests of the Company and its shareholders in accordance with the requirements of the Company Law of the PRC, the Company's Articles of Association and the relevant PRC laws and regulations. The Supervisory Committee also fulfilled the various duties assigned to it by the Company's Articles of Association in an active, diligent and faithful fashion.

The Supervisory Committee convened three meetings in 2001:

The first meeting was convened on 9 March 2001, in which the following resolutions were passed:

1. To approve the report of the Supervisory Committee for the year 2000;
2. To approve the Annual Report and Announcement of Results for the year 2000;
3. To approve the audited accounts for the year 2000;
4. To approve the resolution passed by the Board in respect of the provisions for diminution in value of assets and treatment of related losses. In the opinion of the Supervisory Committee the procedures taken to pass the said resolution were lawful and were adequately evidenced.

The second meeting was convened on 20 July 2001 to approve the 2001 Interim Report.

The third meeting was convened on 14 December 2001 to approve the report of self-examination in respect of the Company's corporate governance to the Jinan Office of the CSRC. The Supervisory Committee confirmed that the contents of the report represents the present situation of the Company.

The Supervisory Committee also attended the Board Meetings of the Company and exercised effective supervision as to whether business decisions made by the Board of Directors were in compliance with the laws and regulations of the PRC, the Articles of Association, and the development prospects of the Company and were also in the interests of the shareholders. The Supervisory Committee was also actively involved

in the Company's production and operations, technological improvement projects and investment plans, and has provided the Company with its opinions on these matters.

In the opinion of the Supervisory Committee, all the connected transactions that occurred during the year were fair and reasonable.

The Supervisory Committee has carried out its duties diligently. The Supervisory Committee has carefully reviewed the accounts and the Report of the Directors to be submitted by the Board of Directors to the 2001 Annual General Meeting and has not found anything contained therein to be questionable. In the opinion of the Supervisory Committee the financial report for the year 2001 reflects the true financial position and results of the Company.

In the opinion of the Supervisory Committee, it was difficult for the Board of Directors to achieve a double-digit increase in the profit after taxation due to the deteriorating operating circumstances in 2001.

The Company was not involved in any significant litigation during the year.

By order of the Supervisory Committee

**Ma Jingxing**

22 March 2002