



## Chapter VIII Supervisors' Report

### 1. Meetings and Resolutions of the Supervisory Committee

The Supervisory Committee held three meetings during the reporting period. At the sixth meeting of the third term of the Supervisory Committee, the following, among other things, were considered and passed: the 2002 Report of the Supervisory Committee, the Financial Statements and the Annual Report. At the seventh meeting of the third term of the Supervisory Committee, Mr. Liu Xianming was elected to be the Vice-chairman of the Supervisory Committee. At the eighth meeting of the third term of the Supervisory Committee, the 2003 Interim Report was approved.

### 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 engaged itself in standardised operation in pursuance to the Company Law, the Securities Law, the Articles of Association of the Company, and the relevant laws and regulations. The Board members worked diligently and responsibly, with scientific and rational decision-making. Every management system of the Company became more sound and was consistently operated. 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 of the Company or in prejudice against the interests of the Company.

### 3. Opinion of the Supervisory Committee on the financial conditions of the Company

The Supervisory Committee made a conscientious review on the profit distribution proposal of the Company for 2003 submitted by the Board of the Company for approval at the general meeting and the relevant materials in respect of the auditors' report for 2003 prepared by the domestic and international auditors with unqualified opinion. The Supervisory Committee considers that the auditors' report of the Company for 2003 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 change of application of proceeds was in compliance with the legitimate procedures of changes. Application of proceeds other than that which was approved for changes at the general meeting of the Company was in accordance with its committed plan.

### 5. Opinion of the Supervisory Committee on the acquisition and disposal of assets

The Supervisory Committee was of the opinion that the prices for the acquisition and disposal of assets by the Company were reasonable and there were not any events of insider dealings, prejudice of interests to certain shareholders or loss of assets.

### 6. Opinion of the Supervisory Committee on connected transactions

During the reporting period, every connected 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.