



Chapter VIII Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

The Supervisory Committee held three meetings during the reporting period. At the ninth meeting of the third Supervisory Committee, the following matters, among others, were considered and passed: the 2003 Report of the Supervisory Committee, the Financial Statements and the Annual Report and its summary. At the first meeting of the fourth Supervisory Committee, Mr. Wang Tiankai was elected to be the Chairman of the Supervisory Committee of the Company and Mr. Liu Xianming was elected to be the Vice-chairman of the Supervisory Committee. At the second meeting of the fourth Supervisory Committee, the 2004 Interim Report and its summary were 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 procedures for 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 status of the Company

The Supervisory Committee made a conscientious review on the profit distribution proposal of the Company for 2004 to be submitted by the Board of the Company for approval at the general meeting and the relevant audited materials in respect of the auditors' report for 2004 prepared by the domestic and international auditors with unqualified opinion. The Supervisory Committee considers that the auditors' report of the Company for 2004 reflects in an objective way the financial status and operating results of the Company.

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

No proceeds from the issue of shares were utilized by the Company during the reporting period.

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.