

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

During the reporting period, the Board of Supervisors has complied with the Company Law, regulations of the PRC, and the Company's Articles of Association and has performed its duties as set forth in the Company's Articles of Association, to protect the Company's interest and the interest of the Company's shareholders.

In 2001, confronted with adversities such as a slow-down in the development of the global economy, lower prices of domestic petrochemical products and less efficient production hours, the senior management of the Company faced the realities objectively, based itself upon its own character and implemented corresponding reforming measures and strategies decisively in the best interests of the Company and has achieved a satisfactory performance in its operations. The Board of Supervisors strengthened its supervising and managing efforts by attending Board of Directors' meetings and participating in the decision-making process of the Company's management. The Board of Supervisors regularly reviews the Company's financial statements and accounts and believes that the Company has prepared the financial statements and accounts accurately, comprehensively and on a timely basis. So far as the Board of Supervisors is aware, there was no irregularity disclosed in the financial statements and accounts.

The Board of Supervisors supervised the Directors and other Executive Officers in the performance of their duties. The Board of Supervisors believes that all Directors and other executive officers have performed their duties honestly, faithfully and in the best interests of the Company. So far as the Board of Supervisors is aware and save as disclosed in announcements, the Directors and other executive officers have complied with the relevant regulations set out in Appendix 14 of the Listing Rules and relevant regulations of China Securities Regulatory Commission and have not violated any laws, regulations or the Company's Articles of Association.

The Board of Supervisors had comprehensively analyzed the financial statements of the Company to be presented in the annual general meeting. The Board of Supervisors believes that the operating results of the Company reflected the true business position during the reporting period, all expenses and costs were reasonable, the distribution of profit proposal was in the interests of its shareholders and for the future development of the Company.

The Board of Supervisors has always received strong support in its work from all shareholders, the Board of Directors and the entire staff of the Company. For this, the Board of Supervisors would like to express its deepest appreciation to all parties concerned.

By Order of the Board of Supervisors
Shang Bo
Chairman of the Board of Supervisors

28th March, 2002, Beijing, the PRC



*Mr. Shang Bo
Chairman of the
Board of Supervisors*