



REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

In 2003, the Supervisory Committee of the Company had diligently performed their duties in strict compliance with the provisions of the Company Law of the People's Republic of China (the "PRC"), the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to safeguard the interests of the Company, all its staff members and the shareholders.

Major work of the Supervisory Committee during the year:

The seventh meeting of the second Supervisory Committee and the first and the second meetings of the third Supervisory Committee were convened to consider and approve the following matters:

1. The 2002 Results Announcement and Annual Report of the Company;
2. The 2002 Report of the Supervisory Committee of the Company;
3. The Rules of Procedures for Supervisory Committee's Meetings;
4. The proposed Amendments to the Articles of Association;
5. The amendments to the Articles of Association;
6. The election of Mr. Zhu Jian Pai as the Chairman of the third Supervisory Committee of the Company;
7. The 2003 Interim Financial Statements of the Company; and
8. The 2003 Interim Results Announcement and Interim Report of the Company.

The attendance of the 2002 Annual General Meeting and the General Meeting for Holders of Domestic Shares and the General Meeting for Holders of H Shares and the first Extraordinary General Meeting in 2003 and had carefully reviewed the accounting records, profit distribution proposal and the amendments to the clauses of the Articles of Association of the Company and the matters regarding issue of ordinary Renminbi-denominated A shares, the applications of the proceeds previously raised by the Company and the confirmation of the adjustment in the use of the proceeds from the issue of H shares.

The meetings of the Board of Directors and the Audit Committee were attended to implement stringent surveillance over their work.



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The Supervisory Committee expressed independent advice on the following matters in accordance with their term of reference:

1. During the year, the Company further refined its operating management mechanisms in order to enhance its overall level and competitiveness.
2. The 2002 Annual Report and the 2003 Interim Report of the Company give an objective, true and fair view of the production operations and financial position of the Company in 2002 and the first half of 2003.
3. During the year, the directors, general manager and other senior management of the Company focused on “carrying out production at high levels, unlocking potential, increasing production and operating at its highest efficiency” and were committed to enhancing product creativity and devoted efforts in operation management. As a result, the Company’s production and operations conditions were encouraging.
4. During the year, the Supervisory Committee strictly reviewed the matters in relation to the Company’s issue of A shares and takes the view that it fully complied with the relevant laws, regulations and other stipulations.
5. During the year, the connected transactions entered into by the Company were in strict compliance with the provisions of the Listing Rules and the waivers, and the Company had disclosed information on a timely and accurate basis.

The Supervisory Committee would like to extend its gratitude to the staff and the shareholders of the Company for their trust and support. The Supervisory Committee will actively explore new means of supervision so as to discharge its duties more effectively and to attain the production and operation targets of the Company in 2004.

By order of the Supervisory Committee

Zhu Jian Pai

Chairman of the Supervisory Committee

Chongqing, the PRC
11th March 2004