

# REPORT OF THE SUPERVISORY COMMITTEE

## TO ALL REPRESENTATIVES:

We received the assignment from the Supervisory Committee of the Company to present the Working Report at the general meeting for approval:

### I. Working Review of the existing Supervisory Committee

With the powers conferred to it in accordance with the Company Law and the Company's articles of association, the existing Supervisory Committee of the Company exercised its supervisory duties over the operation of the Company this year in an honest and faithful way and hence genuinely protected the benefits of the shareholders. Apart from attending various board meetings of the Company and convening three meetings of the Supervisory Committee during the reporting period, the relevant Supervisors of the Supervisory Committee inspected and supervised the Company's finance, resolution procedures for the general meetings, operating decisions of the management, Company's compliance with laws, operating activities of directors, managers and senior management, connected transactions, etc in a serious manner. By dedicating to fulfill their responsibilities efficiently, the Supervisory Committee made remarkable progress in terms of supervisory power, manner and effect and hence brought its supervisory ability into a full play.

#### 1. Meetings of the Supervisory Committee and contents of resolutions

- (1) On 27 February 2004, the Fourth Meeting of the Second Supervisory Committee was convened at the Company's conference room. The financial report of the Group as at 31 December 2003 and the 2003 Working Report of the Company's Supervisory Committee were resolved at the meeting.
- (2) On 18 April 2004 afternoon, the Fifth Meeting of the Second Supervisory Committee was convened at the Company's conference room. The "Resolution on the proposal for the further issuance of overseas listed foreign shares", "Resolution on the further issuance of H shares for capitalisation of the proposed investment projects" and "Resolution on the appointment of dividend paying agents" were resolved at the meeting.
- (3) On 27 August 2004, the Sixth Meeting of the Second Supervisory Committee was convened at the Company's conference room on the third floor. The Interim Report for the six months ended 30 June 2004 was reviewed and passed at the meeting.

### II. Independent comments of the Supervisory Committee

#### (1) Company's compliance with laws:

The Supervisory Committee of the Company supervised the procedures for convening the Company's general meetings and board meetings, matters for resolution, resolution procedures adopted by the Board at the general meeting, activities performed by senior management of the Company and management system of the Company in accordance with rules and regulations in the PRC. It considered that the Board of Company for 2004 has exercised its duties strictly in compliance with the requirements of the relevant rules and regulation such as the Company Law,

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Securities Law and the Listing Rules. By performing the duties with a serious and responsible attitude and by carrying out operational decisions scientifically and logically, the internal management and internal control system are further improved and thus an optimal internal control mechanism is so established. During the course of performing their duties, the directors and managers of the Company are not in violation of any rules, regulations or the Companies' articles of association or prejudice interests of the Company.

- (2) The Supervisory Committee of the Company reviewed and inspected the financial system and situation of the Company. It considered that the 2004 financial report has truly reflected the financial situation and operation results of the Company. The standard and unreserved audit reports submitted by Ernst and Young are objective and fair.

- (3) The Supervisory Committee considered that the Company has adopted the principles of "fairness, justness and openness" when entering into connected transactions and the relevant contracts and agreements in 2004. Besides protecting interests of shareholders as a whole, trading prices are fair and reasonable and procedures for making trading decisions have complied with the relevant rules and regulations. The Supervisory Committee considered that the above connected transactions are fair and without prejudice to interests of the Company and unconnected shareholders.

By Order of the Supervisory Committee

**Lu Tianfu**

*Chairman of the Supervisory Committee*

28 February 2005