



Mr. Zou Haifeng *Chairman of the Board of Supervisors*

During 2004, the Company conducted its business strictly in accordance with the articles of association of the Company, the PRC Company Law, and relevant international and domestic regulations. The board of supervisors faithfully carried out its duties in accordance with the articles of association of the Company, supervised and advised the management of the Company on all relevant matters.

The supervisory committee of the Company held two meetings during 2004 details of which were as followed:

1. The board of supervisors held the first meeting on April 20, 2004 notice of which was sent to five supervisors. The meeting was attended by four supervisors during which Zou Haifeng was elected as chairman of the board of supervisors of the Company. The resolutions for the write-off of the bad debt provision for accounts receivable of RMB101,211 thousands, disposal of obsolete assets of RMB20,701 thousands and impairment provision of RMB100,713 were passed. The report of the Board of Supervisors for 2003, audited financial statements prepared under IFRS and PRC GAAP, the Company's profit distribution plan for 2003 and the Company's first quarterly report for 2004 were also approved.
2. The board of supervisors held the second meeting on July 27, 2004 notice of which was sent to five supervisors and three supervisors attended the meeting. During the meeting, the resolutions for the provision for impairment of intangible assets of RMB6,698 thousands, bad debt provision of RMB22,533 thousands, provision for impairment of construction in progress of RMB19,814 thousands, inventory provision of RMB76,870 thousands and disposal of obsolete assets of RMB35,672 thousands were passed. The financial statements prepared under PRC GAAP and IFRS for the six months ended June 30, 2004 and the 2004 interim report were approved.

The board of supervisors participated in all meetings of the directors held during 2004 to ensure that the directors' decisions comply with the relevant regulations of the PRC and are in line with the future development of the Company and shareholders' interests. The board of supervisors is of the opinion that the directors carried out their duties strictly in accordance with the resolutions of the Company's annual general meetings and the extraordinary general meetings, and the appropriation of profits and significant decisions were also made in accordance with relevant regulations and the articles of association. The internal management system has been improved gradually.

The board of supervisors has reviewed the provision for bad debt, the gain, loss and disposal of fixed assets, and the inventory loss for 2004. The board of supervisors considered them to be in line with prudent operation and effective prevention of assets loss of the Company.

The Company has been consistently improving its internal control system according to the latest provisions of the regulatory organizations. The board of supervisors are not aware of any information relating to the affairs of the Company's directors, general manager and other senior management that may contravene the laws and regulations of the PRC, the articles of association of the Company or which may be prejudicial to the interests of the Company.

During 2004, the board of supervisors also reviewed the connected transactions between the Company and JCGC, the Company and PetroChina, the Company and CNPC to ensure that these connected transactions were entered into on a fair and reasonable basis. The board of supervisors is not aware of any information which may be contrary to the interests of the Company.

The board of supervisors have reviewed the auditors' unqualified reports prepared by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. under IFRS and PRC GAAP, respectively, and considers them to be truthful, objective, accurate and complete.

In 2005, the board of supervisors will continue to focus on the development of the Company and to protect the interest of shareholders pursuant to the articles of association of the Company.

On behalf of the board of supervisors

Zou Haifeng

Chairman

Jilin, the PRC

March 16, 2005