

Report of the Supervisory Committee

To all Shareholders:

During the reporting period, all the Supervisors of the Company have complied with the Company Law, the Company's Articles of Association and the Rules of Proceedings for the Supervisory Committee, fulfilled their responsibilities, protected the interests of the Company and the shareholders, abided by the principles of honesty and trustworthiness, and worked diligently.

The Supervisory Committee held three meetings during the reporting period, details of which are as follows:

1. The fifth meeting of the fourth term Supervisory Committee was held on 26 March 2004. Four Supervisors attended the meeting and one was absent. The meeting considered the operation results and financial statements for 2003, the explanation of financial budget for 2004 and the resolution regarding the remuneration of the Directors, Supervisors and Senior management. The meeting approved the Report of the Supervisory Committee for 2003 and also considered and passed the resolution regarding the special opinion on the disposal of the fixed assets of the Company and the Report of Independent Supervisors.
2. The sixth meeting of the fourth term Supervisory Committee was held on 1 July 2004. Three Supervisors attended the meeting and one was absent. The meeting accepted resignation of supervisor from Mr. Huang Gui-geng and elected Mr. Zhou Wun-fei as Chairman of the Supervisory Committee of the Company.
3. The seventh meeting of the fourth term Supervisory Committee was held on 27 August 2004. Three Supervisors attended the meeting and one was absent. The meeting considered the explanation of interim results, the resolution regarding that no interim dividend will be paid and the Interim Report for 2004.

The Supervisory Committee supervises the legal operations of the Company, the performance of the Board and Senior Management according to relevant requirements. The Supervisors participate in the Company's decision-making process and understanding the performance of the Board and Senior Management by being nonvoting delegates of the Board, attending important meetings and other activities of the Company.

In 2004, under the leadership of the Board, the Company persisted to the principle of market-orientation, development as mainstream and profit-centered, and expedited the process of reform. Alongside enjoying advantages on economies of scale, the Company advanced technological improvement and enhanced structural adjustment. By overcoming various negative factors, expanding operations and strengthening management, the Company achieved new development in all aspects. The consolidated turnover and profit attributable to shareholders is Rmb 13,348,471,000 and Rmb 240,383,000 respectively. The total production volume of polyester products and PTA is 1,683,393 tonnes and 933,363 tonnes respectively. The capacity utilization rate of main equipment reached 100.5%. Under the circumstances of tough market competition for polyester products, the Company explored new markets and the combined ratio of sales to production of polyester products reached 99.3%. The Company enhanced its structure and investment benefits were achieved from this such as the PTA project with an annual capacity of 450,000 tonnes, the project of specialized polyester chips with an annual capacity of 160,000 tonnes and the project of CP and SSP with an annual capacity of 200,000 tonnes. The differential rates of polyester fibre and specialized rate of polyester chips are 61.8% and 53.0% respectively. Considerable economic benefits of the Company have been achieved by structural adjustment and technological improvement.

During the reporting period, the Company carried out management system reform, flattened and simplified the management structure, and specialized business operations. By doing so, the two-level management frame of "Company-production center" was preliminarily formed. The Company further strengthened its principal business and optimized the work processes. The internal control system was further enhanced.



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The Supervisory Committee believes that during the reporting period, the Board and the Senior Management operated in strict compliance with the laws and related regulations governing the conduct of internationally listed companies, followed the principle of good faith, devoted themselves to the required responsibilities specified in the Company's Articles of Association, and earnestly carried out all resolutions of the shareholders' general meetings and the Board meetings. During the reporting period, the Company, the Directors and the Senior Management did not violate any laws, regulations or the Company's Articles of Association, and the Company was not involved in any material litigation or arbitration.

The Supervisory Committee has reviewed the relevant information on the Financial Statements audited by KPMG and KPMG Huazhen, in which an unqualified audit opinion was issued. The Supervisory Committee believes that the financial statements truly reflect the Company's state of affairs and the operating results and each type of expenditure was reasonable and the accruals were in accordance with the relevant regulations.

The Supervisory Committee believes that the Company's connected transactions were in compliance with the relevant regulations, and were entered into in accordance with the relevant agreements. The Company disclosed the related information promptly in accordance with the standardized and complete procedures. There was nothing identified that had impaired the interests of shareholders or had caused any reduction of assets of the Company.

In the coming year, the Supervisory Committee, in strict compliance with Company Law and the Company's Article of Association, will continue to perform its duties earnestly and protect the interests of shareholders.

By Order of the Supervisory Committee

Zhou Wen-fei

Chairman

29 March 2005, Nanjing

