

Report of the Supervisory Committee



To all shareholders:

During the Year, members of the Supervisory Committee actively and effectively exercised their functions and powers to monitor the operation of the Company with diligence and prudence in accordance with the Company Law of the PRC, the Articles of Associations and the relevant requirements as stipulated in the Listing Rules. They have monitored the management activities of the Company in a lawful, timely and effective way to protect the interests of shareholders and the Company.

During the reporting period, the Supervisory Committee held two meetings; attended the annual general meetings and the extraordinary general meeting of the Company; completed the auditing of the interim results, attended meetings of the Board of Directors; reviewed the Company's annual financial report, budget and profit distribution plan; and reviewed the auditors' report presented by the auditors and furnished reasonable recommendations. The Supervisory Committee gave opinions and recommendations on production operations and financial management, strengthened its supervision on the Company's directors and senior management in carrying out their duties and enhanced its supervisory effectiveness, with a view to protecting the lawful interests of shareholders and the interests of the Company.

The Supervisory Committee confirms that during the Year, the Directors, the President and other senior management of the Company have fulfilled their responsibilities dutifully and diligent, and have actively organised the staff to carry out various operating work as confirmed at the annual general meetings, further enhancing production safety management of the Company's operating plants. They have implemented regulated operations in accordance with the Articles of Association and the Company's internal management system and have undertaken diversified development strategies, and in return, economic effectiveness was achieved. In accordance with the IFRS, total consolidated assets, consolidated operating revenue and consolidated net profit of the Company and its subsidiaries for 2004 amounted to approximately RMB49,475 million, RMB13,584 million and RMB2,293 million, respectively. Earnings per share was RMB0.44.

The Supervisory Committee has examined the implementation of the financial management systems of the Company and its subsidiaries and has regularly examined accounting evidence, books of accounts and accounting reports, as well as the auditors' report of the Company and its subsidiaries presented by the auditors. In the opinion of the Supervisory Committee, the financial statements and the accounting work of the Company and its subsidiaries have complied with the Accounting Law of the PRC, the accounting standards issued by the Ministry of Finance of the PRC and the IFRS. The Supervisory Committee has not discovered any problems in respect of the foregoing.

The Supervisory Committee confirms that the connected transactions between the Company and its controlling shareholder CDT during the reporting period were fair and reasonable without harming the interests of other shareholders and the Company. In the course of the Company's operations, the Board of Directors, the President and other senior management of the Company have complied with their fiduciary duties with faithfulness and have dutifully and diligently discharged their duties, and in exercising their rights or performing their obligations, no cases of power abuse or infringement of the interests of shareholders and staff have been found so far.

The fourth session of the Supervisory Committee expired on 30th June 2004 and has completed all work objectives during the three-year term. The fifth session of the Supervisory Committee started operation on 1st July 2004. In 2005, all members of the new session of the Supervisory Committee will continue to follow the relevant requirements as stipulated by the Company Law, the Articles of Association and the Listing Rules and will work hard to complete its various tasks, with an aim to protect the interests of the Company and its shareholders.

On Behalf of the Supervisory Committee
Zhang Jie
Chairman of the Supervisory Committee

28th March 2005