

Report of the Supervisory Committee

To the shareholders,

In 2004, the Supervisory Committee of the Company complied with the State laws and regulations, especially the “Company Law” and the Company’s Articles of Association, and performed its work in accordance with the law to safeguard the interests of the Company and the shareholders.

In 2004, the management of the Company formulated at the start of the year its working direction — “work on the ‘three basic points’ to facilitate production; adopt flexible operation approaches to increase economic efficiency; work on reform and development to enhance global competitiveness.” Under this direction, the Company seized the opportunities arising from strong market demand to exploit its competitiveness further. The Company increased its primary processing capacity to 20 million tpa and made new progress with respect to various aspects including production, operation, reform and development. Within the 10 years after listing, the Company had achieved “five great leaps” in terms of astounding development and core competitiveness.

The Supervisory Committee convened two meetings (the third and fourth meetings of the Fourth Supervisory Committee) on 16 April 2004 and 20 August 2004 respectively. The committee summarised its work in 2003 and first half of 2004 and proposed the working plan for 2004. At the fourth meeting of the Fourth Supervisory Committee, the Supervisory Committee revised the working plan for the year and reviewed the Company’s financial statements and profit appropriation proposal.

During the year under review, the Supervisory Committee, through attending all the meetings of the Board of Directors and the General Manager’s office, reviewed the financial statements and other accounting information of the Company on a regular basis; examined (or studied) and analysed issues under four topics including the Company’s long-term investment, related transactions, use of large amount of capital, appropriation of the provision for diminution in asset value, formulation and implementation of the write-off system, and

participated in the supervision of the Company’s production and operation through various channels.

After reviewing the financial statements prepared in accordance with International Financial Reporting Standard, audited by KPMG Certified Public Accountants, the Supervisory Committee considered that these reports reflect the financial condition and the business results of the Company on a fair and all-round basis, and the comments on relevant items are objective and fair.

The Supervisory Committee has examined the Report of the Board of Directors, 2004 financial statements and the annual profit appropriation proposal, which had been put forward by the Board of Directors to be considered and approved at the eighth meeting of the Fourth Board of Directors and which are intended for consideration at the annual general meeting. In our opinion, these reports have reflected the operating results and assets position of the Company for the year 2004 on a fair and all-round basis, and the profit appropriation proposal has taken into consideration shareholders’ interests and the Company’s long-term development interests. The transfers of statutory surplus reserve and public welfare fund during the year were in accordance with the requirements of law, regulations and the Company’s Articles of Association. The directors, general manager and other senior management staff of the Company had performed their duties in accordance with the requirements of the Company’s Articles of Association and the Listing Rules. There had been no violation of law and regulations and no harmful act against the benefit of the Company or the interests of the shareholders and staff.

The Supervisory Committee agrees with the Company’s Board of Directors’ 2004 Annual Report, and is very confident about the future development prospects of the Company.

By order of the Supervisory Committee

Gu Yueguang

Chairman

8 April 2005, Ningbo, the PRC