

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders:

In 2005, the Supervisory Committee of the Company diligently performed its duties in strict compliance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to safeguard the interests of the Company, its staff members and shareholders.

Major work of the Supervisory Committee during the year:

The fifth meeting of the third Supervisory Committee and the sixth meeting of the third Supervisory Committee were convened to consider and approve the following matters:

1. the results announcement and annual report for 2004;
2. the report of the Supervisory Committee for 2004;
3. the unaudited interim financial statements for 2005; and
4. the interim results announcement and interim report for 2005.

The Supervisory Committee attended the 2004 Annual General Meeting, the general meeting for holders of domestic shares, the general meeting for holders of H shares and the 2005 first extraordinary general meeting, and carefully reviewed the financial statements, profit distribution proposal and matters under the service and supply agreement.

The Supervisory Committee also attended the meetings of the Board and the Audit Committee as non-voting participants to implement stringent surveillance over their work.

REPORT OF THE SUPERVISORY COMMITTEE *(CONTINUED)*

The Supervisory Committee expressed independent advice on the following matters within its terms of reference:

1. The 2004 annual report and the 2005 unaudited interim report of the Company give an objective, true and fair view of the production operations and financial position of the Company in 2004 and the first half of 2005.
2. During the year, the Directors, general manager and other senior management of the Company were committed to innovations focusing on “fully exploring potential to maximize efficiency and production”. As a result, the Company’s production was further expanded with desirable operating indicators and business results.
3. During the year, the Supervisory Committee strictly reviewed the matters in relation to the proposed issue of A shares and matters under the service and supply agreement, and confirmed its full compliance with the relevant laws, regulations and other stipulations.
4. During the year, the connected transactions entered into by the Company were in strict compliance with the Listing Rules, and the Company made information disclosure on a timely and accurate basis.

The Supervisory Committee would like to extend its gratitude to the staff and the shareholders of the Company for their trust and support. The Supervisory Committee will actively explore new approach of supervision to discharge its duties more effectively and to meet the production and operation targets of the Company in 2006.

By order of the Supervisory Committee
Zhu Jian Pai
Chairman of the Supervisory Committee

Chongqing, the PRC
29th March 2006