

Report of the Directors

The Board submits the Directors' report together with the audited financial statements for the year ended December 31, 2006.

Principal Activities

The principal activities of the Company and of the Group are the production and sales of alumina and primary aluminum.

Financial Summary

The results of the Group for the year ended December 31, 2006 are set out in the consolidated income statement on page 64. A financial summary of the Group for the last four financial years extracted from the annual reports of the respective years is set out on page 2.

Dividend

The Directors declared an interim dividend of RMB0.188 per share, totalling RMB2,190,177,000, which was paid on October 31, 2006.

Given the pending A share listing by the Company and the acquisitions of Shandong Aluminum and Lanzhou Aluminum by the Company, the Company will after completion of the proposed A share listing and the acquisitions of Shandong Aluminum and Lanzhou Aluminum declare the final dividend for the year 2006, which, based on 35% of the Company's profit after tax and after deducting the interim dividend paid, would amount to a distributable profit of approximately RMB1,482,633,000. Such dividend, when declared, will be distributed to the new and existing shareholders of the Company. Due to the same reason, both Shandong Aluminum and Lanzhou Aluminum have not declared final dividend for the year 2006 and their retained earnings and reserves are distributable to the Company after the completion of the acquisitions.

Share Capital

Details of the share capital of the Company are set out in Note 19(a) to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 65 and Note 19(b) to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and of the Company are set out in Note 7 to the consolidated financial statements.

Distributable Reserves

Pursuant to Article 184 of the Company's Articles of Association, where the financial statements prepared in accordance with PRC accounting standards differ from those prepared under accounting principles generally accepted in Hong Kong, distributable reserves for the relevant accounting period shall be deemed to be the lesser of the amounts shown in the two different financial statements. Distributable reserves of the Company (before the 2006 dividends) as of December 31, 2006, calculated based on the above principle, amounted to approximately RMB15,779 million.

Use of Proceeds

As of December 31, 2006, RMB1,104 million of the Company's net proceeds from its new H Share placement in May 2006 was used for capital expenditures.

Designated Deposits and Overdue Time Deposits

As of December 31, 2006, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

Pre-emptive Rights

Under the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

Donations

Donations made by the Group during the year amounted to approximately RMB8,979,400.

Litigation and Contingent Liabilities

(a) Litigation

In 2006, Fushun Aluminum, a subsidiary of the Company, was claimed by several banks to be jointly liable for repayment of loans lent by the several banks to a third party and the claims by the banks are for repayment of a total bank loan of RMB971.19 million. In March 2007, Fushun Aluminum was claimed by another bank to be liable to the bank for repayment of bank loans lent by that bank to the third party in the sum of RMB283.68 million. Fushun Aluminum was acquired by the Company from the third party. The Directors, after obtaining independent legal advice, are of the opinion that as the acquisition was conducted on a fair principle and the consideration was set close to the asset value of the assets acquired, no contingency provision for such claim is necessary as of December 31, 2006.

(b) Contingent Liabilities

As of December 31, 2006, the Group has no significant contingent liabilities.

Directors, Supervisors and Senior Management

The Directors and Supervisors during the year were as follows:

Executive Directors

Mr. Xiao Yaqing
Mr. Xiong Weiping resigned on August 23, 2006
Mr. Luo Jianchuan
Mr. Chen Jihua
Mr. Zhang Chengzhong appointed on October 13, 2006

Non-executive Directors

Mr. Joseph C. Muscari
Mr. Shi Chungui

Independent Non-Executive Directors

Mr. Poon Yiu Kin, Samuel
Mr. Wang Dianzuo
Mr. Kang Yi

Supervisors

Mr. Luo Tao	resigned on August 23, 2006
Mr. Ao Hong	appointed on October 13, 2006
Mr. Yuan Li	
Mr. Ou Xiaowu	resigned on August 23, 2006
Mr. Zhang Zhankui	appointed on October 13, 2006

Brief biographical details of Directors, Supervisors and Senior Management are set out on pages 8 to 11.

The second session of the Board and Supervisory Committee will expire upon the conclusion of the 2006 Annual General Meeting. The third session of the Board and Supervisory Committee will come into effect upon approval at the Annual General Meeting to be convened on May 18, 2007. Subject to approval by the shareholders, the third session of the Board will comprise 7 directors from the second session of the Board, namely Xiao Yaqing, Luo Jianchuan, Chen Jihua, Zhang Chengzhong, Shi Chungui, Poon Yiu Kin, Samuel and Kang Yi, and two new directors, Helmut Wieser and Zhang Zuoyuan.

Biographies of Helmut Wieser and Zhang Zuoyuan are as follows:

Helmut Wieser, 53, is an Executive Vice President of Alcoa Inc. and Group President responsible for Alcoa's global mill products, rigid packaging and hard alloy extrusion businesses. He also oversees Alcoa's businesses in the Asia Pacific region. In addition, Helmut is a member of the Alcoa Executive Council. He joined Alcoa in 2000 as vice president, operations for Alcoa's flat-rolled products group in Europe based in Geneva and a year later was named President of the group. He was elected vice president of the corporation in 2004, when he was named president of the North American and European Mill Products organization, and was elected executive vice president in 2005. Prior to joining Alcoa, Mr. Wieser was an executive member of the board and chief operating officer of Austria Metal Group. Helmut received a master's degree in mechanical engineering and economics in 1981 from the University of Graz.

Mr. Zhang Zuoyuan, aged 73, a member of Academy of Chinese Academy of Social Sciences and a researcher of the Institute of Economics. Mr. Zhang graduated from the Faculty of Economics of Zhongnan University of finance and economics. He had served as assistant researcher, deputy researcher and researcher of Institute of Economics in the Chinese Academy of Sciences, a director and researcher of Institute of Finance, Trade and Economics; director and researcher of the Institute of Industrial Economics, and a director and researcher of Institute of Economics. He had also been a tutor of doctorate students and chief editor of Finance & Trade Economics and Economics Research Journal. Mr. Zhang has extensive professional experience in political and economics, pricing and marketing. He is a member of the Ninth and Tenth Sessions of the Chinese People's Political Consultative Conference, deputy director of China Association of Pricing, China Society of Urban Economy and Chinese Society for Urban Development Studies, a director of Chinese Society for Cost Studies and the Secretary-General of Foundation of Sun Ye Fang Economics and Science (孫冶方經濟科學基金會).

Pursuant to Articles 104 and 145 of Articles of Association of the Company, the term of office for all directors and supervisors, who can be re-appointed by election upon expiry of their respective tenures, is three years.

Directors' and Supervisors' Service Contracts and Remuneration

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years. No Director or Supervisor has entered into a service contract with the Company which is not terminable by the employer within one year without payment of compensation (other than statutory compensation). Details of the Directors' and Supervisors' remuneration and the five highest paid individuals in the Company are set out in Note 26 to the financial statements contained in this report. There were no arrangements under which a Director or Supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended December 31, 2006.

Interests of Directors, Chief Executives and Supervisors in Shares of the Company

During the year ended December 31, 2006, none of the Directors or Chief Executives or Supervisors or their respective associates had any interests in the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which are (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

During the year ended December 31, 2006, none of the Directors or Chief Executives, Supervisors, senior management or their spouses or children under the age of 18 was given the right to acquire shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO).

Interests of Directors and Supervisors in Contracts

During the year ended December 31, 2006, none of the Directors or Supervisors had any material interest, directly or indirectly, in any contract of significance the Company or any of its subsidiaries was a party.

Employees, Pension Plans and Welfare Fund

The Group had approximately 88,000 employees as of December 31, 2006. The remuneration package of the employees includes salary, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement pension and other miscellaneous items.

In accordance with applicable PRC regulations, the Group currently joins pension contribution plans organized by the relevant provincial and municipal governments, under which each of the Group's plants is required to contribute to an amount of the pension fund equivalent to a specific percentage of the sum of its employees' salaries, bonuses and various allowances. The amount of contribution as a percentage of the employees' salary which depends in part on the location of the plant and the average age of the employees that vary from plant to plant. The contribution of each plant accounted for approximately 20% of employees' salary. The Group also contributes to a welfare fund for its employees. The rates of contributions of the Group to this welfare fund range from 5% to 10% of the Group's after-tax profit. The Group had not paid retirement benefits to its employees as of December 31, 2006.

Share Capital Structure

The share capital structure of the Company as of December 31, 2006 was as follows:

Shareholders of Domestic Shares or H Shares	As of December 31, 2006	
	No. of shares (In millions)	Percentage of total issued share capital (%)
<u>Shareholders of Domestic Shares</u>		
Chinalco	4,612.16	39.59
China Cinda	900.56	7.73
China Construction Bank	709.77	6.09
China Orient	602.25	5.17
China Development Bank	554.94	4.76
Guangxi Investment	196.80	1.69
Guizhou Development	129.43	1.11
<u>Shareholder of H Shares</u>		
Alcoa	884.21	7.59
Other shareholders in the public	3,059.76	26.27

Based on information that is publicly available to the Company, and within knowledge of the Directors as of March 9, 2007, being the latest practicable date prior to the issue of 2006 annual results, there is sufficient public float in the share capital structure of the Company as required under the Hong Kong Listing Rules.

Substantial Shareholders

So far as the Directors are aware, as of December 31, 2006, the persons other than Directors, Chief Executives or Supervisors of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO are as follows (the interests in shares and short positions disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executives and Supervisors):

Name of substantial shareholder	Class of Shares	Number of shares held	Capacity	Percentage of the relevant class of share	Percentage in total issued share capital
Aluminum Corporation of China	Domestic	4,612,161,060(L)	Beneficial Owner	59.85%	39.59%
China Cinda Assets Management Corporation	Domestic	900,559,074(L)	Beneficial Owner	11.69%	7.73%
China Construction Bank Corporation	Domestic	709,773,136(L)	Beneficial Owner	9.21%	6.09%
China Orient Asset Management Corporation	Domestic	602,246,135(L)	Beneficial Owner	7.82%	5.17%
Alcoa Inc ⁽¹⁾	H Shares	884,207,808(L)	Interests of corporation controlled by Alcoa Inc.	22.40%	7.59%
Templeton Asset Management Limited	H Shares	710,267,000(L)	Investment manager	18.01%	6.10%
JP Morgan Chase & Co ⁽²⁾	H Shares	300,770,010 ⁽²⁾	Interests of corporation controlled by JP Morgan Chase & Co.	7.63%	2.58%

Notes:

(L) Denotes long position.

(1) The interest in shares of Alcoa is held through Alcoa International (Asia) Limited.

(2) The interest in shares of JP Morgan Chase & Co. includes 194,301,810 shares as long position, and 106,468,200 shares as lending pool.

Repurchase, Sale or Redemption of the Company's Shares

The Company did not redeem any of its shares during 2006. Neither the Company nor any of its subsidiaries purchased or sold any of its shares during 2006.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

The largest customer and the five largest customers of the Group's alumina accounted for 4% and 13%, respectively, of the Group's total sales amount of alumina for the year ended December 31, 2006. All of these major customers were domestic aluminum smelters.

The largest customer and the five largest customers of the Group's primary aluminum accounted for 3% and 9%, respectively, of the Group's total sales amount of primary aluminum for the year ended December 31, 2006.

The amount of raw materials (including bauxite) provided by the largest supplier and the five largest suppliers of the Group's alumina segment accounted for 3% and 7%, respectively, of the Group's total cost of raw materials for the alumina segment.

The amount of raw materials provided by the largest supplier and the five largest suppliers of the Group's primary aluminum segment accounted for 7% and 21%, respectively, of the Group's total cost of raw materials for the primary aluminum segment.

None of the Company's Directors or their respective associates (as defined in the Hong Kong Listing Rules) or the existing shareholders, which, to the knowledge of the Directors of the Company, holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers of the alumina or the primary aluminum at any time during 2006.

Connected Transactions

Transactions between the Company and its connected persons or their respective associates (as defined in the Hong Kong Listing Rules) are governed by and have to comply with the requirements for disclosure under the Hong Kong Listing Rules. The following table sets out the annual limits for the connected transactions as compared the amounts incurred by the Group in 2006:

Transactions	Consolidated Consideration (For the year ended 31 December 2006) (in RMB millions)	Comparison with Consolidated Consideration in 2006 (percentage to turnover or Consolidated Consideration in RMB millions)	Annual limits (percentage to turnover or Consolidated Consideration in RMB millions)
Expenditure:			
<i>Transactions with Chinalco</i>			
1. Social Welfare and Logistics Services Provision of social welfare and logistics services by Chinalco to the Company	1,044	1.71%	4%
2. Mutual Provision of Product Supplies and Ancillary Services Provision of product supplies and ancillary services by Chinalco to the Company	1,798	2.95%	5%
3. Purchase of Minerals Supply of bauxite and limestone by Chinalco to the Company	286	0.47%	1.5%
4. Engineering Design and Other Services Provision of engineering design and other services by Chinalco to the Company	1,454	2.38%	6.7%
5. Land Rental paid to Chinalco (Note (a))	281	281	290
6. Buildings Rental paid to Chinalco	9	9	12
7. Factory Premises and Asset Rental Shanxi Carbon Factory	5.5	5.5	11
8. Prepayment of head office rental to Chinalco (Note (b))	145	145	145
<i>Transactions with Guizhou Development</i>			
9. Aluminum Ingots Sales Agency Sale of aluminum ingots and alumina by Guizhou Development as agent for the Company	2	2	2

Report of the Directors (Continued)

Transactions	Consolidated Consideration (For the year ended 31 December 2006) (in RMB millions)	Comparison with Consolidated Consideration in 2006 (percentage to turnover or Consolidated Consideration in RMB millions)	Annual limits (percentage to turnover or Consolidated Consideration in RMB millions)
Revenue			
1. Mutual Provision of Product Supplies and Ancillary Services Provision of product supplies and ancillary services by the Company to Chinalco	2,414	3.96%	12.0%
2. Engineering Design and Other Services Provision of engineering design and other services by the Company to Chinalco	—	—	3.5
3. Buildings Rental paid by Chinalco	1	1	5
<i>Transactions with Guangxi Nonferrous Metal</i>			
4. Aluminum Ingots and Alumina Supply Supply of aluminum ingots and alumina to Guangxi Investment Nonferrous Metal Company Limited ("Guangxi Nonferrous Metal") (Note (c))	156	156	190

Notes:

- (a) The annual limit of this transaction has been revised to RMB290 million by an announcement of the Company dated December 13, 2006. See "Further Information on Connected Transactions During the Year" below.
- (b) During the year, the Company prepaid head office rental to Chinalco totalling RMB145 million. The prepayment was announced by the Company on September 7, 2006. See "Further Information on Connected Transactions During the Year" below.
- (c) The annual limit of this transaction has been revised to RMB190 million by an announcement of the Company dated December 13, 2006. "Further Information on Connected Transactions During the Year" below.

The Independent Non-Executive Directors have reviewed the above transactions and the leasing transaction and have confirmed that:

1. the transactions were conducted in the ordinary and usual course of the Company's business;
2. the transactions were entered into on terms that are fair and reasonable in the interests of the shareholders of the Company as a whole;
3. the transactions were entered into on normal commercial terms or, where there was no available comparison on terms no less favorable than those available to and from independent third parties; and
4. in accordance with the terms of the agreements governing such transactions.

The auditor of the Company has performed certain agreed-upon procedures on such transactions and has provided a letter to the Directors of the Company stating that:

1. the transactions had been approved by the Company's Directors;
2. selected samples of transactions were entered into in accordance with the pricing policies of the Company and its subsidiaries;
3. selected samples of transactions were entered into in accordance with the terms of the agreements governing such transactions; and
4. such transactions, where applicable, did not exceed the relevant annual limits as disclosed in previous announcements of the Company.

Further Information on Connected Transactions During the Year

Land rental paid to Chinalco

- a. Due to the adjustment of land tax in Zhongzhou Plant and Shanxi Plant, at the request of Chinalco, the Company agreed to bear the increase in land tax of approximately RMB44.9 million imposed on these two branches of the Company. The increased land tax payable by the Company to Chinalco exceeded the annual limit of this category of continuing connected transactions of RMB250 million. As set out in the announcement pursuant to Rule 14A.36(1) of the Hong Kong Listing Rules, the Company will pay the increased land use right rental, representing the increased land tax, at the end of December 2006. Accordingly, the annual limit for the Land Use Right Leasing Agreement for the year ending December 31, 2006 was revised from RMB250 million to RMB290 million. The transaction was announced by the Company on the Stock Exchange of Hong Kong on December 13, 2006.

- b. At the request of China Aluminum Development Company Limited (“China Aluminum Development”), the Company has agreed to prepay to China Aluminum Development the annual rent and property management fees of certain office premises at No. 62 North Xizhimen Street, Hai Dian District, Beijing City, the PRC (the “Head Office”) for the remaining two years of the tenancy of the Premises. China Aluminum Development is the landlord of the office premises at No. 62 North Xizhimen Street and is a wholly-owned subsidiary of Chinalco. The annual rent and property management fees of the Head Office as agreed in the agreement are RMB61,648,696 and RMB11,008,695, respectively. The tenancy of the Head Office is for a term of three years commencing from October 15, 2005 to October 15, 2008. The Company has paid the rent for the first year from October 15, 2005 to October 15, 2006 upon entering into the tenancy agreement with China Aluminum Development in March 2005. The aggregate amount of the prepayment in the sum of RMB145,314,782 has been made by the Company to China Aluminum Development in October 2006. This connected transaction was announced by the Company on the Stock Exchange of Hong Kong on September 7, 2006.

Transactions with Guangxi Nonferrous Metal

- c. The Company has been providing aluminum ingots and alumina to Guangxi Nonferrous Metal pursuant to an Aluminum Ingots and Alumina Supply Agreement entered into between the Company and Guangxi Nonferrous Metal dated November 5, 2001. As at the end of September 2006, the value of aluminum ingots and alumina supplied by the Company to Guangxi Nonferrous Metal amounted to approximately RMB121 million. The increase in the amount of transactions was mainly due to the rising alumina price during the first half of 2006. The Directors estimated that the total amounts of aluminum ingots and alumina supply transactions with Guangxi Nonferrous Metal would increase up to approximately RMB183 million for the year ending December 31, 2006 and in such event, the amount of such transactions would exceed the current annual limit for this category of continuing connected transactions of RMB126 million. The Company therefore made an announcement pursuant to Rule 14A.36(1) of the Hong Kong Listing Rules. Accordingly, the annual limit for the continuing connected transactions under the Aluminum Ingots and Alumina Supply Agreement for the year ending December 31, 2006 was revised from RMB 126 million to RMB190 million. The transaction was announced by the Company on the Stock Exchange of Hong Kong on December 13, 2006.

Proposed Application to Issue A Shares in the PRC

On March 13, 2006, the Board resolved and approved at the 2005 Annual General Meeting held on May 10, 2006 that the Company would apply (i) to the China Securities Regulatory Commission for the issue of a maximum of 1,500,000,000 A Shares to the PRC public, and (ii) to the Shanghai Stock Exchange for the listing of the A Shares on the Shanghai Stock Exchange. The amount to be raised from the proposed A Share issue is expected to be not more than RMB8 billion. The net proceeds will be used principally for the construction of alumina and primary aluminum projects. No A Shares were issued pursuant to the resolutions passed at the 2005 Annual General Meeting.

As approved by the shareholders at the Extraordinary General Meeting held on February 27, 2007, the Company will issue no more than 1,500,000,000 domestically listed Renminbi-denominated ordinary shares by way of share exchange to all the shareholders of Shandong Aluminum and Lanzhou Aluminum other than Chalco, including the third party or parties (if any) who provide cash alternatives to the shareholders of Shandong Aluminum and Lanzhou Aluminum. The issue is structured by way of share exchange with the shareholders of Shandong Aluminum and Lanzhou Aluminum other than Chalco, at an issue price of RMB6.60 per share. The consideration of the issue is the shares of Shandong Aluminum and Lanzhou Aluminum held by the shareholders of Shandong Aluminum and Lanzhou Aluminum other than Chalco. The Company will not raise any fund by the issue, and no investment project in relation to the fund raising will be involved.

Proposed Application to Issue Long-term Bonds

A resolution relating to the issue of long-term corporate bond by the Company in the amount not exceeding RMB5 billion was approved by the Board of the Company on February 9, 2007 and the Extraordinary General Meeting held on February 27, 2007. The details as to the amount to be issued, its duration and interest rate will be determined subject to the approval by the relevant authorities and the prevailing market condition at the time of the issue. The proceeds raised from the bonds will be used mainly for renovation expansion projects of alumina and aluminum.

Proposed Application to Issue Short-term Bonds

In March 2007, the Board resolved and approved the Company to issue short-term bonds with a principal amount of not more than RMB5 billion with a maturity period of one year, subject to shareholders' approval. The specific proposal and schedule of the issue will be subject to the approval of relevant authorities and the market condition. The net proceeds of the issue of short-term bonds will be principally used as working capital of the Company.

Significant Events

1. In May 2006, the Company successfully completed the placement of 600,000,000 new H shares, which contributed approximately RMB4,390 million of financing amount to the Company.
2. In May and December 2006, the Company successfully issued short-term bonds with total principal amount of RMB3 billion and a total principal amount of RMB2 billion, respectively, with a par value of RMB100 each in the domestic, bearing effective rate of 3.13% and 3.44%, respectively, and a maturity period of 1 year, for net proceeds of approximately RMB2,988 million and approximately RMB1,925 million, respectively.
3. At the Extraordinary General Meeting held on October 13, 2006, the appointment of Mr. Zhang Chengzhong as executive director was approved to replace Mr. Xiong Weiping, who resigned due to job re-allocation.
4. At the Extraordinary General Meeting held on October 13, 2006, the appointments of Mr. Ao Hong and Mr. Zhang Zhankui as supervisors were approved to replace Mr. Luo Tao and Mr. Ou Xiaowu, respectively.

Code on Corporate Governance Practices

During the year ended December 31, 2006, except for Code A.2.1, the Company was in compliance with the principles and code provisions in the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Hong Kong Listing Rules.

The Articles of Association, the Terms of Reference of the Audit Committee, the Terms of Reference of the Supervisory Committee and the code of conduct regarding securities transactions by the Directors, Supervisors and specific employees form the framework for the code of corporate governance practices of the Company. The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated most of the principles and code provisions in the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Hong Kong Listing Rules.

Code A.2.1 of the CG Code requires the roles of chairman and chief executive officer to be separate and not be performed by the same individual. Currently, Mr. Xiao Yaqing serves as the Chairman and Chief Executive Officer of the Company. The Directors are of the opinion that this arrangement is for the benefit of the long term development of the Company.

Other than the deviation mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code.

Audit Committee

The written terms of reference in relation to the authorities and duties of the Audit Committee were prepared and adopted in accordance with and with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and Rule 10A-3 of U.S. Securities and Exchange Commission.

The consolidated financial statements of the Company for the year ended December 31, 2006 have been reviewed by the Audit Committee of the Company.

Auditor

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

The Company has not changed its auditors in any of the five preceding financial years.

By order of the Board

Xiao Yaqing

Chairman

Beijing, PRC
March 10, 2007