



To all Shareholders,

During the year 2005, all members of the Supervisory Committee of the Company adhered strictly to the stipulations of the Company Law of the PRC (the "Company Law") and the articles of association of the Company (the "Articles"), and, on the principle of good faith and prudence, discharged their duties of supervision in accordance with the relevant regulations and, actively as well as cautiously, proceeded with various initiatives to safeguard the interest of the Company and all the shareholders. The Supervisory Committee played an effective role in ensuring that the Company had operated in conformity with all relevant requirements and contributed to its sustained development.

### **1. MEETING AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE**

The ninth meeting of the first Supervisory Committee was held on 14 March 2005 at the conference room of the Company, whereupon the financial statements, profit allocation proposal and report of the Supervisory Committee for 2004, and the proposed succession of the Supervisory Committee were reviewed and approved.

The first meeting of the second Supervisory Committee was held on 17 August 2005 at the conference room of the Company, whereupon appointment of Mr. Wu Nan as the Chairman of the second Supervisory Committee was reviewed and approved.

### **2. MEETING AND RESOLUTIONS OF THE SUPERVISORY COMMITTEE**

During the Reporting Period, not only did the Supervisory Committee attend all meetings of the board of directors (the "Directors") of the Company (the "Board"), the Committee also duly supervised and monitored the financial affairs of the Company, operation decisions made by the management, due operation of the Company in accordance with the law and the discharge of duties by the Directors and the senior management. The Supervisory Committee is of the opinion that:

- (1) The Company and its subsidiaries were not involved in any violation of the Company Law, the Articles, the relevant accounting standards, the laws and regulations of the PRC during their operation in 2005.
- (2) The Directors and senior management of the Company have discharged their duties with commitment, due observance of the law, well-regulated management, innovation, and a high regard to shareholders' interest during 2005 and there was no violation of the Company Law, the Articles, the relevant accounting standards or the laws and regulations of the PRC.

## Report of the Supervisory Committee

- (3) The certified accountants issued their report in the standard and unqualified form without opinion. The Company's financial statements reflected a true view of the financial positions of the Group and the Company as at 31 December 2005, and the operating results of the Group for the year then ended.

By Order of the Supervisory Committee

**Zhu En Ze**

*Supervisor*

Baoding, Hebei Province, the PRC

27 March 2006