

# Report of the Supervisory Committee

In 2005, the Supervisory Committee of the Company performed their duties in accordance with the Company Law and the Articles of Association. The supervisors attended 2 Board meetings. The Supervisory Committee convened two meetings to consider significant matters of the Company including the interim and annual results announcement, financial report and profit distribution plans. It implemented its supervision rights on the Company's significant decisions and the operation of the Board.

## (1) Work of the Supervisory Committee

During the reporting period, the Supervisory Committee convened two meetings.

1. The fifth meeting of the third Supervisory Committee was held at Conference Room, Tongyuan Hotel at 10:00 a.m. on 10 March 2005. The meeting was presided over by Mr. Wang Maoxian, the Chairman of the Supervisory Committee. Five supervisors should have attended the meeting and five supervisors attended the meeting, which was in compliance with relevant requirements in the Company Law and the Articles of Association. At the meeting, the 2004 Annual Report and its Summary, 2004 Financial Report, Report of the Supervisory Committee for the year 2004, Profit Distribution Plan for the year 2004, remuneration and annual bonus of the Board of Directors, remuneration of the Supervisory Committee and bonus of the senior management for the year 2004 were considered.
2. The sixth meeting of the third Supervisory Committee was held at Conference Room at the office building of the Company at 10:30 a.m. on 9 August 2005. The meeting was presided over by Mr. Wang Maoxian, the Chairman of the Supervisory Committee. Five supervisors should have attended the meeting and five supervisors attended the meeting, which was in compliance with relevant requirements in the Company Law and the Articles of Association. At the meeting, the 2005 Interim Results Announcement, 2005 Interim Financial Report and 2005 Interim Dividend Distribution Plan were considered and approved.

## (2) Independent opinion of Supervisory Committee on relevant matters of the Company in 2005

The Supervisory Committee exercises its power in accordance with the Company Law and the Articles of Association. During the reporting period, it diligently examined and supervised the Company's financial management, internal control, implementation of resolutions of shareholders' meetings, operational decisions and the decisions of the Board and the managers, and the operating activities. The Supervisory Committee wishes to issue their independent opinion on the following matters:

1. Compliance of the Company's operations with the laws: During the reporting period, the Company implemented surveillance over its shareholders' meetings, the procedure for convening meetings of the Board, items to be resolved, execution of resolutions of shareholders' meetings by the Board, as well as the integrity, diligence and commitment of the Company's directors and senior management, in accordance with relevant provisions of Company Law and the Articles of Association of the Company. The Supervisory Committee is of the opinion that the Company's decision-making procedure is lawful. The Company has been operating in strict compliance with the established internal control system. No misappropriation of the Company's funds by connected parties was found, and the Company has not provided guarantee for any connected parties, other individuals or any third parties. Directors, senior management and managers seriously carried out their commitments in respect of integrity and diligence and did not take any actions which were in violation of laws, regulations or the Company's Articles of Association nor detrimental to the Company's interests when discharging their duties.

## (2) Independent Opinion of Supervisory Committee on Relevant Matters of the Company in 2005 *(Continued)*

2. Examination of financial status: The Supervisory Committee approved the examination and audit on the Company's financial status and financial structure and is of the opinion that the Company's financial status is sound without any significant risks. The audit reports without qualified opinions by the domestic and overseas accounting firms give an objective, fair and true view of the Company's financial status and operating results in 2005.
3. In July 2005, the Company placed 231,000,000 H shares and raised proceeds of RMB895,750,000. The proceeds were all used for the Company's development, which was in interests of the Company and the shareholders as a whole.
4. In 2005, the Company did not dispose of any assets, nor is there any indication of damage to minority shareholders' interests or dissipation of the Company's assets.
5. The Company's procedure for entering into connected transactions for the year of 2005 complied with the relevant provisions of the Listing Rules. The disclosure of information on connected transactions was timely and sufficient. The execution of the contracts of connected transactions was reasonable and fair and was not detrimental to the interests of shareholders or the Company.

By Order of the Board

**Wang Maoxian**

*Chairman of the Supervisory Committee*

19 April 2006  
Guixi, Jiangxi, the PRC