

Report of the Supervisory Committee

Adhering to the principle of conscientiousness and complying with the Company Law of the PRC, the Listing Rules, the Articles and other relevant requirements, all new members of the Supervisory Committee of the Company faithfully discharged their duties with prudence and endeavors during the year 2006 for the purpose of safeguarding the interests of the Company, its shareholders and its employees. Specific work undertaken by the Supervisory Committee during the Reporting Period is detailed as follows:


During the Reporting Period, the Supervisory Committee convened seven meetings. These meetings, with proper service of notice and quorum, were held and resolved in accordance with the relevant laws, regulations and the Articles. The matters considered and passed by the Supervisory Committee include:

- Election of chairman of the fourth session of the Supervisory Committee;
- The report of the Supervisory Committee for 2005 and the work plan for 2006;
- The remuneration of the Supervisors;
- Review of the final accounts and audited financial report for 2005, the profit distribution scheme for 2005, the 2005 annual report and its summary, and the budget plan for 2006;
- Review of the first quarterly report, interim report and third quarterly report of 2006;
- Review of the proposal for issuance of Bonds With Warrants, the feasibility of the project to be invested with the proceeds from the proposed issuance of Bonds With Warrants, and the explanation on the use of proceeds from the previous issuance;
- Review of the investment proposal to acquire 5% interests in Meiguan Company.

During the year 2006, the members of the Supervisory Committee attended and observed all the shareholders' general meetings and Board meetings in accordance with the laws; reviewed the signing of the written resolutions of the Board; and monitored the Company's decision making procedures, as well as the legality and the implementation of such decisions. It would promptly inform the Board and the Company's management regarding any potential risks in relation thereto. During the Reporting Period, there was no incident about which the Supervisors make representations to the Directors or sue the Directors on behalf of the Company.

Pursuant to the relevant requirements, the Supervisory Committee made the following independent opinions in relation to the relevant matters of the Company in the year 2006:

1. In 2006, the Company made its operation decisions strictly in accordance with the Company Law of the PRC, the Securities Law of the PRC, the Listing Rules, the Articles and other relevant rules and regulations; operated its business lawfully; continuously improved its internal control system; and raised its standard of corporate governance. All the Directors, general manager and other senior management of the Company, with a view to protecting the interests of the Company and its shareholders, diligently performed their duties. The Supervisory Committee was not aware of any incident that violated the rules and regulations or the Articles of the Company or damaged the Company's interests.

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2. Upon reviewing the unqualified auditors' reports which are issued by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co. Ltd. on the financial statements of the Company for the year 2006 prepared in accordance with the HKFRS and the PRC GAAP respectively, the Supervisory Committee considered that the financial statements for the year 2006 have objectively, truly and fairly reflected the financial status, operating results and cash flow positions of the Company and the Group.
 3. The Company issued 165 million A Shares in December 2001 and raised funds amounting to RMB604 million. Such funds were used to invest in Yanba B. Up to 31 December 2006, a total of RMB485 million out of the raised funds was spent. The actual project in which the proceeds were applied is consistent with the project represented in the Prospectus.
 4. During the year 2006, the Company entered into contracts to further acquire 20.09% interests in Qinglian Project and 5% interests in Meiguan Company. According to the Listing Rules of the SSE, the acquisition of 5% interests in Meiguan Company constitutes a connected transaction. Under the Listing Rules of the HKEX, the above two acquisitions both constituted connected transactions. The Supervisory Committee, after reviewing these acquisitions (in respect of the further acquisitions of 20.09% interests in Qinglian Project, the review was conducted in 2005), considered that the above acquisitions were in the overall interests of the Company and the shareholders and the terms of the transactions were fair and reasonable to the Company and all the shareholders. The relevant decision-making procedures for such acquisitions were lawful. The Supervisory Committee was not aware of any insider dealings or the existence of any violation of the principle of fairness and honesty in respect of the decisions made, contracts signed or information disclosed by the Board.

By Order of the Supervisory Committee

Zhong Shan Qun

Chairman of the Supervisory Committee

Shenzhen, the PRC, 2 March 2007