

CORPORATE GOVERNANCE REPORT

The Board (the "Board"), Supervisory Committee and Senior Management of the Company are committed to implementing effective corporate governance policies to ensure that all decisions are made in good faith and in accordance with the principles of transparency, fairness and integrity. With necessary and effective counterbalance, the Company continues to improve its corporate governance structure, so as to raise the quality of supervision and management, and to meet the expectation of its shareholders and related parties.

CORPORATE GOVERNANCE PRACTICE

In compliance with Company Law of the PRC and the Company's Articles of Association (the "Articles"), the Company has regulated its internal operations and provided information of the Company to all market participants and regulatory authorities on a timely, accurate, complete and true basis, aiming to enhance its transparency. The Board has adopted the code provisions as stipulated in "Code of Corporate Governance Practices" (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's code of corporate governance practices from 2005. Save as deviations from the code provisions A.1.1, D.1.1, D.1.2 and C.2.1, the Company has complied with the Code in 2006.

In 2006, the Company held a total of three regular Board meetings only as a result of not sufficient timing arrangement for meetings, which did not fully comply with code provision A.1.1 of the Code. In the next year, the Board will improve the relevant meeting arrangements to comply with the relevant code provision of the Code. The Company has set out the respective duties of the Board and the General Manager in the Articles. However, the Company has not formulated specific guidelines in respect of other duties of the management and authority delegated to the management, which deviates from code provisions D.1.1 and D.1.2 of the Code. The Board is of the opinion that the Company's management, who is responsible for management of its daily operation, is a management team led by the General Manager. The Company's current arrangement does not prejudice the interests of the Company. The Board is also considering to gradually set out explicitly the duties of the management through the improvement of the Company's internal control management system.

In 2006, the Company has specially engaged a professional consultant to review the internal control including financial control, operational control, compliance control and risk management functions, etc. The Group also compiled the Internal Control Review Report and the Internal Control Manual. Since the relevant compilation was completed at the end of 2006, the second Board was unable to timely review on internal control during 2006, which has deviated from code provision C.2.1 of the Code. However, the Board reviewed the Group's internal control system and its effectiveness at the Board meeting held on March 28, 2007.

SECURITIES TRANSACTIONS OF DIRECTORS

Each director (“Director”) of the Company has fulfilled their respective duties in a conscientious, diligent and honest manner. The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (“Model Code”) as set out in Appendix 10 to the Listing Rules, requesting all Directors to carry out securities transactions in accordance with the Model Code. Having made specific enquiries of all Directors, no Director failed to comply with the relevant requirements of the Model Code in 2006.

THE BOARD

The Board is responsible to lead and monitor the Company, and to collectively make decision on and supervise the operation of the Company.

The Board is responsible to prepare accounts for each financial period to ensure them to reflect the Group’s business position, results and cash flow during the period in accurate and fair manner. In compiling the accounts for 2006, the Board has adopted the International Financial Reporting Standard (“IFRS”) and selected the appropriate accounting policy to make prudent and reasonable judgments and estimations, and prepared accounts on ongoing concern basis. The Directors accept responsibilities for the preparation of the Group’s financial statements. In 2006, the Board announced annual results for 2005 and interim results for 2006 within 120 days and 60 days respectively after the end of the relevant financial periods in accordance with the requirements under the articles of association of the Company.

The third Board comprises 15 Directors (refer to the section of “Corporate Information” for the list of members of Directors), of which 4 are Executive Directors and 11 are Non-executive Directors (including 3 Independent Non-executive Directors). Although the term of office of the second Board (which is three years) shall expire on December 4, 2006, all Directors of the second Board are required to perform their duties before the Directors of the third Board assume their duties, as stipulated by the applicable laws and regulations in accordance with the Company Law of the PRC. The third Board was elected at the extraordinary general meeting of the Company held on January 9, 2007 with the term of office for each Director commencing on January 9, 2007. Biographies of each of the Directors are set out on pages 112 to 120. Each of the Directors has extensive experience in aviation, information technology or finance. The appointment of Independent Non-executive Directors is in compliance with the requirements as set out in Rules 3.10(1) and (2) of the Listing Rules. The Company’s third Chairman of the Board (Chairman) and current Chief Executive Officer (General Manager) are reassumed by Mr. Zhu Yong and Mr. Zhu Xiaoxing respectively and their duties are clearly separated.

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The three Independent Non-executive Directors of the second Board, Mr. Wu Jiapei (resigned on January 9, 2007 due to the expiry of the term), Mr. Chow Kwok Wah, James and Mr. Yick Wing Fat, Simon, have submitted their annual confirmations of independence for 2006 in accordance with Rule 3.13 of the Listing Rules. Mr. Yuan Yaohui, the new appointed Independent Non-executive Director of the third Board, has submitted his confirmation of independency in accordance with Rule 3.13 of the Listing Rules during his service on January 9, 2007.

The Company is in the opinion that all the said Independent Non-executive Directors are in compliance with the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent parties as defined in the guidelines. The Independent Non-executive Directors consistently performed their duties in active and prudent manner. Based on the overall interests of the Company, the Independent Non-executive Directors, with their valuable professional experience, have provided guidance for operation management of the Company. Moreover, being the members of the Audit Committee and the Remuneration and Evaluation Committee ("Remuneration Committee"), they have performed their duties in supervising financial reporting procedures and reviewing internal control.

In 2006, a total of 3 regular meetings and 2 meetings by way of circulating and reviewing written resolutions were held by the second Board with attendance of Directors of the second Board in respect of 3 regular meetings as follows:

Name	Position in the second Board	Number of meeting attended (Times)	Number of meeting to be attended (Times)	Attendance rate
Zhu Yong	Chairman	3	3	100%
Wang Quanhua	Vice-Chairman, Non-executive Director	3 (with 1 attended by other authorised Director on his behalf)	3	100%
Cao Jianxiong	Vice-Chairman, Non-executive Director	3 (with 2 attended by other authorised Directors on his behalf)	3	100%
Gong Guokui	Vice-Chairman, Non-executive Director	3	3	100%

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Name	Position in the second Board	Number of meeting attended (Times)	Number of meeting to be attended (Times)	Attendance rate
Rong Gang	Non-executive Director	3 (with 1 attended by other authorised Director on his behalf)	3	100%
Yang Yatie	Non-executive Director	3	3	100%
Zhu Xiaoxing	Executive Director, General Manager	3	3	100%
Ding Weiping	Executive Director	3	3	100%
Song Jinxiang	Executive Director	3 (with 1 attended by other authorised Director on his behalf)	3	100%
Li Xiaoguang	Non-executive Director	3	3	100%
Si Yupei	Non-executive Director	3 (with 1 attended by other authorised Director on his behalf)	3	100%
Song Jian	Non-executive Director	3	3	100%
Wu Jiapei	Independent Non-executive Director	3	3	100%
Chow Kwok Wah, James	Independent Non-executive Director	3	3	100%
Yick Wing Fat, Simon	Independent Non-executive Director	3	3	100%

The Company, in some circumstances, deviates from code provisions D.1.1 and D.1.2 of the Code. Currently, the Company has yet to set out clear guidance on the duties delegated by the Board to the management. The Board is of the opinion that the Company's management, who is responsible for the management of its daily operation, is a management team led by the General Manager. The respective duties and authorities of the Board and the General Manager have been set out explicitly in the Articles. The Board can also delegate the General Manager with authority to deal with certain extraordinary issues such as signing particular agreements. The Company's current arrangement on performing the duties under the leadership of the General Manager does not prejudice the interests of the Company. The Board is also considering to set out explicitly the duties of the management through the improvement of the Company's internal control management system.

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The Board is accountable to the general meeting in accordance with the Articles and performs the following duties: convening general meeting and reporting its work therein; implementing resolutions passed at the general meeting; confirming the Company's business plans and investment plans; preparing the Company's annual budgets and final closing accounts; proposing to shareholders on the distribution of dividends and bonuses as well as increment and decrement of share capital; establishing proposals for amendment of the Articles; deciding other significant affairs and administrative issues of the Company other than issues to be resolved in the general meeting as stipulated in Company Law of the PRC and the Articles, and exercising other power by virtue of office and obligations as delegated by the general meeting and the Articles. It is also stipulated in the Company's Articles that resolutions approved by the Board in connection with the Company's connected transactions are not valid unless they are signed by Independent Non-executive Directors.

According to the Articles, the Board delegates the following duties to the Company's General Manager: to manage the Company's production and operation; to coordinate the implementation of the resolutions passed by the Board; to coordinate the implementation of the Company's annual business plans and investment plans; to formulate plans for the Company's internal management framework; to formulate framework plans for the branches of the Company; to establish the Company's basic management system; to formulate the Company's basic constitution; to propose the appointment or dismissal of the Deputy General Manager and Financial Controller of the Company; to appoint or dismiss officers other than those to be appointed or dismissed by the Board; to perform other duties as delegated by the Company's articles of association and the Board.

In addition, the Board authorized the General Manager to approve investments related to the Company's principal business made by institutions in which the Company has invested less than RMB5 million (for instance, the Company's regional distribution centers). Such authority was given to the Board in the general meeting in 2002 and was then delegated to the General Manager for the purpose of enhancing management efficiency of its daily business operation.

The third Board reviewed the Company's internal control system at the meeting held on March 28, 2007. The management is responsible to implement and maintain the Group's existing internal control system and its effectiveness, and in turn the activities of the management and the effectiveness of the internal control system shall be monitored by the Board and its Audit Committee. The Board shall review the effectiveness of the Company's internal control system at least once each year and report to shareholders. With completion of the review on the Group's internal control system in 2006, it has designed the key controls, and the establishment of an internal control system in relation to the Company's control, business control and information system overall control is in progress. As such, the Board believes that the Group's internal control system for 2006 was basically effective and sufficient. For the insufficiency found during the review, the Group will gradually improve it in accordance with the Internal Control Manual.

AUDIT COMMITTEE

The role, duties and authority of the Audit Committee are available at the Company's website. They mainly include: review of the Company's financial report in respect of its completeness, accuracy and integrity; receive report from the Company's management and auditors; make enquiries and receive reasonable explanations to and from the Company's financial department and auditors on the Company's financial position; review issues in respect of the Group's internal control and financial reporting and report the same to the Board. The Audit Committee held at least two regular meetings each year, and will be held any time as and when necessary.

The Audit Committee of the second Board comprises three Independent Non-executive Directors, namely Mr. Wu Jiapei, Mr. Chow Kwok Wah, James and Mr. Yick Wing Fat, Simon. Mr. Wu Jiapei was elected as the chief member of the Audit Committee (Chairman of the committee). Attendance rate of all members of the Audit Committee of the second Board in the Audit Committee meetings for 2006 was as follows:

Name	Number of meeting attended (Times)	Number of meeting to be attended (Times)	Attendance rate
Wu Jiapei (Chairman of the committee)	2	2	100%
Chow Kwok Wah, James	2	2	100%
Yick Wing Fat, Simon	2	2	100%

In 2006, the Audit Committee of the second Board has convened two meetings, the minutes of which were submitted to the Board for reporting purpose. The Audit Committee has sufficient resources to discharge its duties. Its work during the year is briefly described as follows:

1. review of financial reports for the year ended December 31, 2005 and the six months ended June 30, 2006. Upon discussion with the management, the Company's financial department and external auditors, it was agreed on the accounting treatment policy adopted by the Group, and that the Group has tried its best to ensure the disclosure of financial information is in compliance with the appropriate accounting standards and the requirements of the Listing Rules;
2. review of auditing arrangements of external auditors and their status report, and examination of issues raised by auditors to the management and the management's response to the same;

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3. review of reports from the Company and external auditors in relation to connected transactions;
4. review of the independency of external auditors and effectiveness of auditing procedures and discussion with auditors about the nature and scope of auditing and reporting obligation;
5. consideration and approval of remuneration for auditing services and terms of employment of external auditors for 2006, supervision if any non-auditing services has been provided by external auditors and giving of advice to the Board on employment of auditors;
6. review of the Company's regulations on financial control and risk management, supervision of the coordination between internal and external auditing and their effectiveness, as well as the efficiency of internal financial reporting procedure and the implementation of internal management; and
7. discussion with the management on the Company's internal control and the appointment of professional consultant, review on the internal control system in accordance with the Listing Rules, and provision of advice and recommendations to the Board.

In view of the expiry of the term of each member of the second Board on January 9, 2007, the term of each member of the Audit Committee of the second Board also expired in accordance with "Rules of Work of Audit Committee." On January 9, 2007, the third Board decided to appoint three Independent Non-executive Directors, namely Mr. Chow Kwok Wah, James, Mr. Yick Wing Fat, Simon and Mr. Yuan Yaohui, to form the new Audit Committee, and appoint Mr. Yick Wing Fat, Simon as the chief member of the Audit Committee (Chairman of the Committee). Each member of the Audit Committee has same term with that of the corresponding Director.

On March 27, 2007, the Audit Committee of the third Board held a meeting to review the Group's consolidated financial statements for Year 2006 with external auditors, including the accounting principles and practical standards adopted by the Group. Based on the results of review and discussion with the management, financial department and external auditors, it was agreed on the accounting treatment adopted by the Group, and that the Group has tried their best to ensure the disclosure of financial information is in compliance with the appropriate accounting standards and Appendix 16 to the Listing Rules. Therefore, the Audit Committee of the third Board advised the Board to approve the disclosure of consolidated financial statements for the year ended December 31, 2006. Meanwhile, the Audit Committee also heard the management's report on the Company's internal control review at the meeting and discussed with external auditors, the Company's management and professional consultants of internal control project on internal control to require the management to complement and perfect the relevant issues as soon as possible.

The Audit Committee of the third Board also advised to appoint PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. (Certified Public Accountants in the PRC) as the Group's international and PRC external auditors respectively for Year 2007, and proposed the relevant resolutions to be considered and approved by shareholders at the forthcoming annual general meeting of the Company.

REMUNERATION AND EVALUATION COMMITTEE (“REMUNERATION COMMITTEE”)

The Remuneration Committee comprises three Independent Non-executive Directors and two Non-executive Directors. One Independent Non-executive Director was elected as the chief member of the Remuneration Committee (Chairman of the committee). The role and duties of the Remuneration Committee are available at the Company’s website. They mainly include: study of appraisal criteria for Directors and senior management and give advice and carry out appraisal according to the Company’s actual operation; study and review of remuneration policies and proposals of Directors and senior management, and evaluating its effectiveness; advising the Board on the overall remuneration policies and frameworks of Directors and senior management of the Company, and on the remuneration policy for setting up formal and transparent procedures; monitor the implementation of the Company’s remuneration policies; determine specific remuneration of all Executive Directors and senior management and advising the Board on the remuneration of Non-executive Directors; review and approval of performance-linked remuneration in accordance with the corporate goals as from time to time approved by the Board; review and approval of the payment of compensation for loss or termination of office or appointment to Executive Directors and senior management to ensure such compensation is determined in accordance with contract terms; review and approval of the compensation arrangement for dismissal or removal of Directors for their misconducts to ensure such arrangement is made in accordance with contract terms; ensure no Director or its associates could determine their own remuneration. The Remuneration Committee shall report to the Board its decisions or recommendations. The remuneration plan of the Company’s Directors made by the Remuneration Committee is subject to the approval of the Board, and consideration and approval at the general meeting. The remuneration plan of the Company’s senior management should also be approved by the Board. The Remuneration Committee has sufficient resources to discharge the above duties.

The Remuneration Committee of the second Board comprises three Independent Non-executive Directors, namely Mr. Chow Kwok Wah, James, Mr. Wu Jiabei and Mr. Yick Wing Fat, Simon, and two Non-executive Directors, namely Mr. Wang Quanhua and Mr. Yang Yatie. Mr. Chow Kwok Wah, James, an Independent Non-executive Director, was elected the Chief member of the Remuneration Committee (Chairman of the Committee).

The Remuneration Committee did not hold any meetings during 2006.

In view of the expiry of the term of each member of the second Board on January 9, 2007, the term of each member of the Remuneration Committee of the second Board also expired in accordance with “Rules of Work of Remuneration and Evaluation Committee”. On January 9, 2007, the third Board decided to appoint three Independent Non-executive Directors, namely Mr. Chow Kwok Wah, James, Mr. Yick Wing Fat, Simon and Mr. Yuan Yaohui, as well as two Non-executive Directors, namely Mr. Wang Quanhua and Mr. Sun Yongtao, to form the new Remuneration Committee, and appoint Mr. Yuan Yaohui as the chief member of the Remuneration Committee (Chairman of the committee). Each member of the committee has same term with that of the corresponding Director.

REMUNERATION POLICY OF DIRECTORS

The third Board has entered into a service contract with each of the Directors of the third Board on behalf of the Company under the authorization given at the general meeting. Pursuant to the contract, the annual fees of each of the Independent Non-executive Directors from 2007 will be RMB120,000 (RMB90,000 for 2006, before taxation), but the Independent Non-executive Directors are not entitled to bonus. The fees are determined with reference to the prevailing market price and their respective working experience. The other Executive Directors and Non-executive Directors are not entitled to such fees and/or bonus. However, Executive Directors are entitled to the compensation for their full-time service as a full-time employee, which include salaries, benefits, subsidies and retirement benefit scheme contribution as required by the laws and regulations of the PRC, determined with reference to their respective work duties, performance and working experience, as well as the discretionary bonus paid to employees based on the performance and financial position of the Company in accordance with the employees' remuneration scheme. The Company also bears the reasonable costs incurred by the Directors during their service in the Company and the Directors are entitled to liability insurance acquired by the Company for the Directors, Supervisors and senior management. The revised proposal for Directors' remuneration is determined by the Board and the Remuneration Committee according to the authorization given at the general meeting and the applicable laws and regulations. Details of remuneration of each of the Directors are set out in Note 7 in page 73 to 75 to the financial statements.

NOMINATION OF DIRECTORS

The Company has not yet set up a nomination committee. Nomination and election of Directors are currently carried out in accordance with the Articles. At present, the nomination and election procedure of the Company is as follows: the promoter shareholders and the Board nominate and recommend candidates of Directors (other than Independent Non-executive Directors) and Independent Non-executive Directors respectively. Following the nomination of candidates of Directors (including Independent Non-executive Directors) by the Board in accordance with the relevant requirement of Company Law of the PRC, the Listing Rules, Chapter 14 of the Articles "Eligibility and obligations of Directors, Supervisors, Managers and other senior management of the Company", the Company will put forward for election in the general meeting. The Director serves a term of 3 years and is subject to re-election upon expiry. Written notices of intention of nominations of Director's candidate and of candidate's acceptance for nomination shall be sent to the Company after the date that the notice on the general meeting for the purpose of Directors' election is issued and at least 7 days prior to the date of the meeting. Each of the Board comprises of 15 Directors, of which at least one-half of the Directors are external Directors (including at least two Independent Non-executive Directors). Directors shall be elected by way of ordinary resolution in the general meeting. In case more than 15 Directors are approved, those who have got the highest vote shall be elected as Directors. Any Director who has unexpired terms of office may be removed by way of ordinary resolution at the general meeting provided that the general meeting is in compliance with the relevant provisions of laws and administrative rules.

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Members of professional committees under the Board shall be nominated by either the Chairman, more than half of the Independent Non-executive Directors or one-third of all the members of the Directors, and subsequently elected by the Board. Chief members of all committees (Chairman of the committee) shall be appointed by the Board. Eligibility of all committee members shall comply with related stipulations of working rules of the committees.

Although the term of office of the second Board shall expire on December 4, 2006, all Directors of the second Board are required to perform their duties before the Directors of the third Board assume their duties (the conclusion of the extraordinary general meeting of the Company held on January 9, 2007), as stipulated by the applicable laws and regulations in accordance with the Company Law. The third Board was elected at the extraordinary general meeting of the Company held on January 9, 2007. The fifteen Directors of the third Board include: four Executive Directors, namely Zhu Yong, Zhu Xiaoxing, Ding Weiping and Song Jinxiang, eight Non-executive Directors, namely Wang Quanhua, Cao Jianxiong, Gong Guokui, Rong Gang, Sun Yongtao, Liu Dejun, Xia Yi and Song Jian, and three Independent Non-executive Directors, namely Chow Kwok Wah, James, Yick Wing Fat, Simon and Yuan Yaohui, for a term of three years commencing on January 9, 2007.

As the term of office of the Directors of the second Board, including Non-executive Directors, Mr. Yang Yatie, Mr. Li Xiaoguang, and Mr. Si Yupei and an Independent Non-executive Director, Mr. Wu Jiawei expired and they did not offer themselves for re-election, their directorships in the Company ceased upon the conclusion of the extraordinary general meeting of the Company held on January 9, 2007.

At the Board meeting held on January 9, 2007, the third Board resolved the election of Director Zhu Yong as the Chairman of the third Board; the election of Directors Wang Quanhua, Cao Jianxiong and Gong Guokui, as the Vice Chairman of the third Board; the appointment of Director Zhu Xiaoxing as the General Manager of the Company; the appointment of Mr. Xiao Yanhong and Mr. Huang Peng as Deputy General Managers of the Company; the appointment of Director Ding Weiping as the Secretary to the Board and Company Secretary; the appointment of three Independent Non-executive Directors, namely Mr. Chow Kwok Wah, James, Mr. Yick Wing Fat, Simon and Mr. Yuan Yaohui as members of the Audit Committee and Mr. Yick Wing Fat, Simon as the chief member of the said committee (Chairman of the committee); the appointment of three Independent Non-executive Directors, namely Mr. Chow Kwok Wah, James, Mr. Yick Wing Fat, Simon, Mr. Yuan Yaohui, and two Non-executive Directors, namely Mr. Wang Quanhua and Mr. Sun Yongtao as members of the Remuneration Committee and Mr. Yuan Yaohui as the chief member of the said committee (Chairman of the committee); the appointment of Directors Zhu Yong, Wang Quanhua, Cao Jianxiong, Gong Guokui, Rong Gang and Ding Weiping as members of the Strategic Committee and Director Cao Jianxiong as the chief member of the said committee (Chairman of the committee).

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REMUNERATION OF EXTERNAL AUDITORS

Aggregate remunerations for auditing services provided by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co., the Company's international and PRC auditors respectively, to the Company for Year 2006 amounted to RMB1,747,800. No other non-auditing services were provided.

STRATEGIC COMMITTEE

The Strategic Committee comprises six directors. It is responsible to study and advise the Company on its long term development strategies and significant investment decisions, including major issues like significant investment financing plans, significant capital operations and asset operations, which have an impact on the Company's development. Their duties are available at the Company's website.

Members of the Strategic Committee of the second Board include Directors Cao Jianxiong, Zhu Yong, Wang Quanhua, Gong Guokui, Rong Gang and Ding Weiping. Cao Jianxiong was appointed as the chief member of the Strategic Committee (Chairman of the committee). In June 2006, the Strategic Committee convened a meeting to discuss the Company's strategic cooperation projects and reported to the Board. Attendance rate of each member at the Strategic Committee meetings for the year was 100%.

In view of the expiry of the term of each member of the second Board on January 9, 2007, the term of each member of the Strategic Committee of the second Board also expired in accordance with "Rules of Work of Strategic Committee". On January 9, 2007, the third Board decided to appoint Directors Cao Jianxiong, Zhu Yong, Wang Quanhua, Gong Guokui, Rong Gang and Ding Weiping to form the new Strategic Committee, and Director Cao Jianxiong as the chief member of the committee (Chairman of the committee). Each member of the committee has same term with the corresponding Director.

SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the PRC law. It reviews the Company's financial position in accordance with the Company's Articles and supervises the operation management activities of the Board and senior management. The Supervisory Committee is responsible to attend board meetings, review financial information proposed by the Directors at the general meeting from time to time such as corporate financial affairs and financial statements, and supervise activities of the Board and other senior management for their discharge of duties. In case of conflict of interest between the Company and any of its Directors, the Supervisory Committee shall negotiate or initiate legal proceedings against such Directors on behalf of the Company. Any resolution proposed in any meeting of the Supervisory Committee shall be adopted with approval granted by two-thirds or more of the Supervisors.

During 2006, the second Supervisory Committee held two meetings and one meeting by way of circulating and reviewing written resolutions. It reviewed financial information relating to the Company's 2005 annual results and 2006 interim results, supervised over operation and management activities of the Board and senior management and made recommendations to the management. Attendance of the eight supervisors of the second Supervisory Committee was as follows:

Name	Position in the second Supervisory Committee	Number of meeting attended (Times)	Number of meeting to be attended (Times)	Attendance rate
Li Xiaojun	Chairperson of the Supervisory Committee	2	2	100%
Du Hongying	Vice Chairperson of the Supervisory Committee	2	2	100%
Chen Lihong	Shareholder Representative Supervisor	2	2	100%
Zhang Yakun	Shareholder Representative Supervisor	2	2	100%
Wang Yongqiang	Shareholder Representative Supervisor	1	2	50%
Tan Xiaoxu	Staff Representative Supervisor	2	2	100%
Zhang Xin	Staff Representative Supervisor	2	2	100%
Rao Geping	Independent Supervisor	2	2	100%
(with 1 attended by other authorised supervisor on his behalf)				

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Although the term of the second Supervisory Committee shall expire on December 4, 2006, all Supervisors of the second Supervisory Committee are required to perform their duties before the Supervisors of the third Supervisory Committee assume their duties, as stipulated by the applicable laws and regulations in accordance with the Company Law of the PRC. In accordance with the Company Law of the PRC, the Supervisory Committee shall comprise Staff Representative Supervisors who are elected at the meeting of the staff representative of the Company. The number of Staff Representative Supervisors shall not be less than one-third of the total number of supervisors in the Supervisory Committee. In accordance with the Company Law of the PRC, the third Supervisory Committee comprises nine supervisors, including five Shareholder Representative Supervisors, one Independent Supervisor and three Staff Representative Supervisors. The extraordinary general meeting of the Company held on January 9, 2007 elected the six supervisors of the third Supervisory Committee, including five Shareholder Representative Supervisors Li Xiaojun, Du Hongying, Jing Gongbin, Zhang Yakun and Yu Yanbing, and one Independent Supervisor Rao Geping. Further, the meeting of the staff representatives held on November 17, 2006 resolved to elect three employees Gao Jingping, Wang Xiaomin and Zhang Xin as the Staff Representative Supervisors of the third Supervisory Committee. The term of each of the Supervisors of the third Supervisory Committee commenced from January 9, 2007. Biographies of each of the Supervisors are set out in page 112 to page 120.

All Supervisors of the Supervisory Committee fully complied with the requirements of Model Code as set out in Appendix 10 to the Listing Rules.

By Order of the Board

Ding Weiping

Company Secretary

March 28, 2007