

# REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended December 31, 2006, members of the second Supervisory Committee of the Company have diligently performed their duties, during their tenure, in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant rules and regulations to protect the interests of the Company and its shareholders.

The second Supervisory Committee convened two meetings and the other meeting by way of circulation of written resolutions during Year 2006. The Supervisory Committee also reviewed the Company's financial statements for 2005 and interim financial statements for 2006, and attended meetings of the Board of directors of the Company (the "Board") and effectively monitored the policies and decisions made by the Board as to whether they were in compliance with the Listing Rules, the relevant laws and regulations of the PRC, the Articles of Association of the Company, and the interests of the Company and shareholders, and offered proper suggestions to the Board and the management.

The term of the second Supervisory Committee of the Company expired on January 9, 2007. Upon the election at the extraordinary general meeting of the Company and the meeting of the staff representatives, the third Supervisory Committee of the Company comprises nine Supervisors (details of which is set out in the section headed "Corporate Information" and the biographies of each Supervisor are set out on pages 112 to 120.)

The Supervisory Committee has carefully reviewed the Company's financial statements for Year 2006 audited by PricewaterhouseCoopers prepared in accordance with International Financial Reporting Standards and considers that the financial statements give a true and fair view of the financial position and operation results of the Company and in compliance with the regulations applicable to the Company.

The Supervisory Committee confirms that the Company has not been involved in any material litigation or arbitration, and there is no litigation or claim of material importance pending or threatened by or against the Company during Year 2006.

The Supervisory Committee is satisfied that the Board and senior management of the Company were committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and shareholders for Year 2006. The Supervisory Committee considers that the report of the Board for Year 2006 reflected the actual operational circumstances of the Company. The Supervisory Committee is satisfied with the Company's results for Year 2006 and the Supervisory Committee has confidence in the Company's future prospects and development.

I would like to express my gratitude to all members of the second Supervisory Committee for their dedication and contribution to the Company during their terms of office.

By Order of the Supervisory Committee  
**Li Xiaojun**  
*Chairperson of the Supervisory Committee*

March 28, 2007