

To Shareholders,

Since the incorporation of the Company, all members of the Supervisory Committee have performed their duties in strict compliance with the Company Law of the People's Republic of China, the Articles of Association of the Company and the relevant laws and regulations of Hong Kong in order to safeguard the interests of shareholders and the Company all along.

In 2006, the Supervisory Committee attended the Board of Directors' meetings and major activities of the Company and learned about the development and operating situation of the Company. We are of the opinion that the management has kept its promises and abided by the relevant laws through their significant contribution to the Company's operation, development and production management. We consider that the Company's management has been performing its duties in an effective and appropriate manner and in the ultimate interests of its shareholders.

1. WORK OF THE SUPERVISORY COMMITTEE IN 2006

In 2006, the Supervisory Committee of the Company convened 3 meeting meetings, details of which are as follows:

1. The 5th meeting of the fourth session of the Company's Supervisory Committee was held by way of telecommunications on 25 April 2006 at the Company's conference room at 14 Jingsan Road, Jinan City, Shandong Province. Three supervisors of the Company attended the meeting which was valid and effective. At the meeting, the following resolution was unanimously passed: to consider and approve the 2006 First Quarterly Report of the Company.
2. The 6th meeting of the fourth session of the Company's Supervisory Committee was held on 24 August 2006 at Holiday Inn Central Plaza Beijing, 1 Caiyuan Street, Xuanwu District, Beijing. Three supervisors of the Company attended the meeting. In compliance with the relevant requirements of the Articles of Association, the meeting was valid and effective. After hearing the statement on 2006 Interim Financial Report of the Company, the meeting passed the following resolutions: (1) to approve the unaudited 2006 Interim Financial Report prepared under the PRC accounting standards and regulations and the unaudited 2006 Interim Financial Report prepared under IFRS; (2) to approve the Interim Report and annual results prepared under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and to agree to revise as appropriate and publish them pursuant to relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the requirements from The Stock Exchange of Hong Kong Limited from time to time; and (3) to agree to revise as appropriate and duly publish the 2006 Interim Report and its summary prepared under the Rules Governing the Listing of Securities on the Shanghai Stock Exchange in accordance with relevant provisions of the Rules Governing the Listing of Securities on Shanghai Stock Exchange and the requirements from Shanghai Stock Exchange from time to time.
3. The 7th meeting of the fourth session of the Company's Supervisory Committee was held by way of telecommunications on 25 October 2006 at the Company's conference room at 14 Jingsan Road, Jinan City, Shandong Province. Three supervisors of the Company attended the meeting which was valid and effective. At the meeting, the following resolution was unanimously passed: to consider and approve the 2006 Third Quarterly Report of the Company.

In 2006, the Company was operated in strict compliance with the PRC Company Law, the Articles of Association and other relevant laws and regulations. The directors and senior management of the Company have performed their duties without violation of the PRC laws and regulations and the Articles of Association of the Company and without adversely affecting the interests of the Company.

The connected transactions and continuing connected transaction of the Company were fair and reasonable. No act detrimental to the interests of the Company or shareholders was found.

2. INDEPENDENT OPINION ON THE COMPANY'S OPERATION IN ACCORDANCE WITH THE LAW

The Supervisory Committee has carefully examined the procedures of convening general meetings and Board meetings, resolutions passed at such meetings, implementation of resolutions passed at general meetings by the Board, senior management's performance of its duties and the Company's internal management system, in accordance with relevant PRC laws and regulations.

We consider that the Board has conducted its operations strictly in compliance with the PRC Company Law, PRC Securities Law, the Articles of Association and other relevant laws and regulations; the directors were diligent and responsible in arriving at reasonable decisions; the Company has established effective management systems and has been proactively improving the internal management system for its growth, the Company's operating activities were all in compliance with provision of laws and regulations. In reviewing the Company's financial standing and examining the directors' and senior management's performance of their duties, the Supervisory Committee did not find any breach of disciplines or rules, or any harm against shareholders' interests.

3. INDEPENDENT OPINION ON REVIEW OF THE COMPANY'S FINANCIAL STANDING

The Supervisory Committee has carefully reviewed the Company's 2006 Final Accounts, 2006 Profit Distribution Plan, 2006 Annual Report, 2006 Unqualified Auditors' Reports prepared by the international auditors and domestic auditors of the Company and other relevant information in respect of the year 2006.

We are of the opinion that the Company's 2006 Final Accounts were reliable, which objectively reflected the financial standing and operating results of the Company. The Supervisory Committee agreed with the auditors' reports for Company and its 2006 profit distribution plan.

4. INDEPENDENT OPINION ON ACQUISITION AND DISPOSAL OF ASSETS

During the reporting period, the Company had no disposal of assets. We are not aware of any insider dealing activities. No act violating the shareholders' interests or resulting in any loss of assets of the Company was identified.

5. INDEPENDENT OPINION ON THE COMPANY'S CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During 2006, we consider that the considerations paid by the Company for the acquisition projects were all reasonable and the connected transactions and continuing connected transactions were fair; and the acquisition transactions were in the interests of the Company and shareholders as a whole.

The Supervisory Committee will continue to perform its duties and will proceed with its best endeavours to safeguard the interests of the shareholders. The Supervisory Committee is satisfied with the achievements attained by the Group and has confidence in the prospect of the Group.

Chairman of the Supervisory Committee
Feng Lanshui

Beijing, the PRC
23 March, 2007