

# Report of the Supervisory Committee

In 2006, in accordance with the principle of being accountable to all shareholders, the Supervisory Committee of the Company fully complied with the duties to supervise and ensure that the resolutions as passed in the Shareholders' General Meetings were consistently implemented, the legal interest of shareholders was protected and the duties conferred under the Articles of Association and in the Shareholders' General Meetings were completed in accordance with the Company Law, the Articles of Association and the relevant provisions, in order to facilitate a disciplined operation and sustainable development of the Company.

## 1. Meetings of the Supervisory Committee During the Reporting Period and Resolutions Passed in Such Meetings

On 24th March 2006, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2005 was considered and approved accordingly.

On 13th September 2006, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2006 was considered and approved accordingly.

## 2. Progress of the Work of the Supervisory Committee During the Reporting Period

During the reporting period, the Supervisory Committee of the Company performed its supervisory functions in a fiduciary manner. Apart from participating in the Shareholders' General Meeting for 2006 and attending every board meeting of the Company held in 2006, the Supervisory Committee duly supervised and examined the Company's financial situation, the Board of Directors' execution of the resolutions passed in the Shareholders' General Meeting, operational decisions of the management, the operations of the Company in compliance with the laws, the acts of the Directors, managers and senior management, and the connected transactions entered into with its controlling shareholder. The Supervisory Committee considered that:

- (1) The operating activities of the Company and its subsidiaries in 2006 did not violate the Company Law, the Articles of Association, financial accounting procedures and the laws and regulations of the PRC.
- (2) During the discharge of their duties in 2006, the directors, managers and senior management of the Company fulfilled their fiduciary duties by acting lawfully, regularized management, explored for innovation, with discipline to protect the interests of all the shareholders of the Company. None of the parties named above was found in breach of the Company Law, the Articles of Association or the laws and regulations of the PRC.
- (3) The auditors presented an unqualified auditors' report. The report truly, objectively and accurately reflected the financial condition of the Company.

**Dong Jun-qing**

*Chairman of the Supervisory Committee*

16th March 2007