



(1) Meetings Held by the Supervisory Committee during the Reporting Period

In accordance with the Company Law, the Listing Rules, the Articles of Association and the Rules of Proceedings for Supervisory Committee Meetings and by observance of the principle of good faith, all members of the Company's Supervisory Committee have faithfully discharged their duties in a positive and cautious manner during the year 2006 for the purpose of safeguarding the lawful interests of the Company and its shareholders.

The Supervisory Committee held three meetings in 2006. The convening, proceedings and resolutions of the meetings complied with legal procedures. Significant issues were considered and examined by the Supervisory Committees as follows:

- the Supervisory Committee Work Report of 2005;
- examination of the 2005 annual results of the Company and the profit distribution scheme;
- nomination of members of the fifth session of the Supervisory Committee;
- election of the chairman of the fifth session of the Supervisory Committee;
- examination of the Company's regular reports.

During the reporting period, the Supervisory Committee attended all Board meetings and examined the signing of written resolutions by the Board. It exercised effective supervision on the management behaviour of the Company's directors, management and senior management members as well as on the decision-making process of the Company. During the reporting period, no representations or litigations were made or initiated by any supervisors against any directors of the Company.

(2) Independent Opinions of the Supervisory Committee

1. Compliance with the Company's Operations

During the reporting period, the Supervisory Committee has monitored the procedures for convening shareholders' general meetings and Board meetings and the resolutions passed thereat. It has also supervised the implementation of resolutions passed at the shareholders' general meetings by the Board and the implementation of resolutions passed at the Board meetings by the management. It considered that the adoption and implementation of each system and the daily operation and management of the Company complied with the laws and regulations; the improvement in the internal control regime has further enhanced the corporate governance of the Company.

In compliance with the requirements as stipulated under relevant laws and regulations, the Company's directors and senior management have conscientiously discharged their duties, bearing in mind the best interests of shareholders and the Company. They have not violated the relevant laws and regulations, abused their authorities or caused damage to the interests of the Company, its shareholders and staff.



2. Financial Conditions of the Company

The Supervisory Committee has duly examined the financial statements, the dividend distribution scheme and other accounting information for the year 2006. The Supervisory Committee is of the view that the financial income and expenditure accounts are clear; and that the accounting, auditing and financial management has complied with the relevant requirements without any problems identified. The domestic and international auditors of the Company have audited the 2006 financial statements of the Company in accordance with the HKFRS and the PRC Accounting Standards, respectively, and have issued auditors' reports with standard unqualified audit opinions accordingly. The Supervisory Committee is of the view that the financial income and expenditure and the operating results of the Company are fairly and correctly reflected by the auditors' reports. The operating results achieved are truthful. Dividend payment of the Company further increased for the year 2006 when compared to the previous year, demonstrating the willingness of the Company to provide satisfactory returns to the shareholders as much as possible.

3. Acquisition and Sale of Assets by the Company

During the reporting period, the Supervisory Committee has examined the equity transfer of China Head. It is of the view that the consideration of the Company's development strategies of focusing on its principal business and reducing diversified operations would fulfil the requirements of the Company's future development; and was in the interests of the Company and all of its shareholders. Meanwhile, transaction prices were determined on the basis of a full assessment. All transactions were fair and the prices were reasonable. The Supervisory Committee was not aware of any insider dealing or act which might jeopardize the interests of certain shareholders or cause losses to the Company's assets.

4. Connected Transactions of the Company

The Supervisory Committee has examined all connected transactions of the Company during the year. It is of the view that all contracts, agreements and other documents relating to connected transactions during the year are in compliance with the legal procedures. The terms of the transactions are fair and reasonable to the Company and all of its shareholders. The connected transactions have been entered into in strict compliance with the principles of "fairness, justice and openness". No insider dealing has been identified, nor has the Board been found to have breached the principle of integrity when making decision, signing agreements or carrying out information disclosure.

By Order of the Supervisory Committee

Zhou Jian Qiang

Chairman of the Supervisory Committee

Nanjing, the PRC

23 March 2007