

SUPERVISORY COMMITTEE'S REPORT

(1) Operations of the Supervisory Committee

1. The sixth meeting of the fourth Supervisory Committee was held on 27th April, 2005 at the conference room of Xian Jianguo Hotel. Five supervisors should attend the meeting and ultimately only four participated. Mr. Shen Guorong could not attend the meeting in person due to business issue and authorized the Chairman of Supervisory Committee Mr. Liu Gang as his representative. Mr. Liu Gang, the Chairman of Supervisory Committee, held the meeting. In accordance with the Company Ordinance and the Company's Articles of Association, the "2004 Supervisory Committee Report" had been approved. The twenty-second proposal of the Fourth Board of Directors' meeting had been discussed.
2. The seventh meeting of the fourth Supervisory Committee was held on 16th June, 2005 at the Company's conference room. Five supervisors should attend the meeting and ultimately only three participated. Mr. Liu Gang and Mr. Guo Junyu could not attend the meeting in person due to business issue and authorized Mr Shen Guorong and Mr. Sun Xingduo as their representative. Mr Shen Guorong, the supervisor held the meeting. Resolution on the Company's rectification report was passed.
3. The eighth meeting of the fourth Supervisory Committee was held on 17th August, 2005 at the Company's conference room on the second floor. Five supervisors should attend the meeting and ultimately only four participated. Mr. Liu Gang could not attend the meeting in person due to business issue and authorized Mr. Shen Guorong as his representative. Mr. Sheng Guorong, the supervisor held the meeting. Interim report 2005 of the Company had been approved. Management Methods for Subsidiaries and the Articles of Association of subsidiaries and contracts for related party transactions had been amended.
4. The ninth meeting of the fourth Supervisory Committee was held in written and criteria for subsidies for members of the Fifth Supervisory Committee had been announced in the extraordinary general meeting.
5. The first meeting of the fifth Supervisory Committee was held on 31st October, 2005 at conference room of Jiaoda Kunji High-Tech Company Limited. Five supervisors should attend the meeting and ultimately only four participated. Mr. Liu Gang could not attend the meeting in person due to business issue and authorized Mr. Shen Guorong as his representative. Mr. Sheng Guorong, the supervisor held the meeting. Mr. Liu Gang was elected as the Chairman of the Company's Supervisory Committee.

During the reporting period, the performance of the Supervisory Committee was conducted in strict compliance with the Company Law of the People's republic of China and the Articles of Association and other laws and regulations, in order to safeguard the welfare of the Company and its shareholders truly and objectively.

The Supervisory Committee approved the meeting of the Board of Directors and other forms of attendance, exercised its supervision on decision made by the Board of Directors and made by supervisors and other senior management.

(2) Independent Opinion of the Supervisory Committee on the Operations of the Company Complying with the Laws

The Supervisory Committee considered the implementation of the resolutions of the shareholders' meeting and the Board of Directors' meeting were performed by the Board of Directors, supervisors and other senior management, all decisions were in strict compliance with laws and regulations and the Articles of Association, reflecting the sound internal control system of the Company.

(3) Independent Opinion of the Supervisory Committee on the Inspection of the Financial Position of the Company

During the reporting period, the Supervisory Committee consulted to the audit reports issued by Xian Xigema Certified Public Accountants and Messrs. Deloitte Touche Tohmatsu, and agreed with the opinion that the Company's financial statements truly and accurately reflects the financial position and the operation results of the Company.

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(4) Independent Opinion of the Supervisory Committee on the Actual Running of the Company's Latest Capital Raising

There was no change in the running of the capital raising during the reporting period.

(5) Independent Opinion of the Supervisory Committee on the Purchase and Sale of the Assets

There was no significant purchase and sale transaction during the reporting period.

(6) Independent Opinion of the Supervisory Committee on the Connected Transaction

All connected transactions were considered fair and reasonable during the reporting period. No acting detrimental to the Company's interest was found.