

# Report of Supervisory Committee

In 2006, the Supervisory Committee duly performed its supervision with a view to be accountable to all shareholders and safeguard the interests of the Company in accordance with Company Law, the Articles of Association, the Procedures for the Supervisory Committee and relevant laws and regulations.

## I. MEETINGS OF SUPERVISORY COMMITTEE

During year 2006, the Supervisory Committee convened a total of 3 meetings.

1. The 2nd meeting of the fifth Supervisory Committee was held at Dongdian Hotel on 20 April 2006. At the meeting, the 2005 Report of the Supervisory Committee, the 2005 Annual Report and its summary, the 2005 Financial Statements, the 2005 Profit after Tax Distribution Plan, the 2006 Financial Budget, and the Proposal in Relation to Connected Transactions and the 2006 First Quarterly Report were considered and approved.
2. The 3rd meeting of the fifth Supervisory Committee was held at the 3rd Conference Room of the Company on 22 August 2006. At the meeting, the 2006 Interim Report and its summary, the 2006 Unaudited Interim Financial Statements, the 2006 Interim Profit Appropriation Plan, and the Proposal in Relation to Investment in Relevant Equipment were considered and approved.
3. The 4th meeting of the fifth Supervisory Committee was held on 17 October 2006 for considering and approving the Third Quarterly Report of the Company for 2006.

## II. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

In accordance with Company Law and the Articles of Association of the Company, the Supervisory Committee attended all Board meetings and general meetings in 2006, and exercised its supervision over the agenda, voting procedure and results of these meetings. It also monitored the Company's management, operating decision procedure, financial status and senior management's performance of their duties under the laws. The Supervisory Committee is of the opinion that in 2006 the Board has diligently executed the resolutions passed at general meetings and performed its fiduciary duty, and that no acts have been found which are detrimental to the interests of the Company or shareholders, and that all resolutions of the Board met the requirements of laws and regulations including Company Law as well as the Articles of Association of the Company.

### III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON RELEVANT MATTERS OF THE COMPANY IN 2006

#### 1. Operations of the Company are in compliance with the laws

The Supervisory Committee considers the Company has established a sound internal control system to operate in compliance with the laws. The Board of the Directors has strictly executed resolutions passed at the general meetings. The Company's decision procedures for significant matters are legal and relevant information is timely and accurately disclosed. Directors and managers of the Company diligently performed their duties, where no act in violation of the laws, regulations and the Articles of Association of the Company or detrimental to the interest of the Company was found.

#### 2. Inspection on the financial position of the Company

During the reporting period, the Supervisory Committee carefully examined and reviewed the financial position and financial management of the Company. After the examination, the Supervisory Committee is of the view that the financial system of the Company is sound and complete with standard management, and laws and regulations including Accounting Law, Accounting Standard for Business Enterprises were strictly executed. The Supervisory Committee of the Company prudently reviewed the Company's 2006 Financial Report to be submitted at the general meeting, and is of the opinion that it truly, accurately, and objectively reflects the financial position and the operating results of the Company, and the preparation and review procedures of the report are in compliance with all requirements of the laws, regulations, the Articles of Association of the Company and internal administrative systems of the Company. None of the personnel participating in preparation and review of the annual report was engaged in any act in breach of confidentiality regulations. Deloitte Touche Tohmatsu CPA Ltd. has audited the 2006 annual report of the Company and issued a standard unqualified auditor's report.

#### 3. Fund raising and Use of proceeds

During the reporting period there was no fund raised.

#### 4. Acquisition and disposal of assets

During the reporting period, there was no asset acquired. Assets transactions were conducted at reasonable prices in compliance with market rules. No insider dealing or act detrimental to the interest of the shareholder or resulting in assets loss of the Company was found.

#### 5. Connected transactions

During the reporting period all approving procedures and regulations for connected transactions between the Company and relevant parties were in compliance with relevant regulations and were well regulated, which reflected the principle of fairness, justness and equitableness. No act detrimental to interest of the Company and shareholders was found.

The Supervisory Committee will continue to duly perform its supervisory duties based on the interests of the Company and shareholders in strict compliance with the Company Law, the Articles of Association and the State's relevant laws, regulations and policies, so as to promote the Company's healthy and fast development.