

SUPERVISORY COMMITTEE'S REPORT

(I) WORK OF THE SUPERVISORY COMMITTEE

The Supervisory Committee convened 4 meetings in total in 2006

1. The 1st meeting of the Supervisory Committee was held at the Conference Hall of the Company on 20 April 2006, at which:

The 2005 Work Report of the Supervisory Committee was considered and approved and submitted to 2005 Annual General Meeting for considering;

The 2005 Annual Report of the Company and its summary were considered and approved; the 2005 audited financial statements and the provision for impairment loss proposed by the Board were considered and approved;

The 2005 Profit Distribution Plan was considered and approved;

The Rules of Procedures for Supervisory Committee Meeting was considered and approved and submitted to General Meeting as an attachment of Articles of Association for considering

2. The 2nd meeting of the Supervisory Committee was held at the Conference Hall of the Company on 26 April 2006, at which:

The 2006 First Quarterly Report was considered and approved.

3. The 3rd meeting of the Supervisory Committee was held at the Conference Hall of the Company on 24 August 2006, at which:

The 2006 Interim Report and its summary was considered and approved;

The 2006 interim unaudited financial statements and the provision for impairment loss proposed by the Board were considered and approved;

4. The 4th meeting of the Supervisory Committee was held at the Conference Hall of the Company on 26 October 2006, at which:

the 2006 Third Quarterly Report and its summary was considered and approved;

(II) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON OPERATING IN COMPLIANCE WITH LAWS BY THE COMPANY

The Supervisory Committee is of the view that the work of the Board during the reporting period strictly complied with the provisions of Company Law, Securities Law, the Listing Rules, Articles of Association of the Company and other relevant laws and regulations, and the Board of Directors worked in a diligent manner. The material decisions of the Company were scientific and reasonable and the procedures of decisions were lawful and effective. Meanwhile, the Company established and improved its internal management and control system. The directors, the General Manager and other senior management members of the Company were able to carry out their duties earnestly, in strict compliance with the principle of honesty and in the best interests of the Company. There had been no violation of the laws, regulations nor abuse of rights in performing their duties or behavior in detrimental to the interests of the Company.

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(III) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON REVIEW OF THE COMPANY'S FINANCIAL POSITION

The Supervisory Committee is of opinion that the 2006 financial report reflected objectively the financial position and operating results of the Company. The Supervisory Committee has diligently reviewed the Financial Statements and other accounting data of the Company and is of the opinion that the income and expenditure were cleared stated in the accounts of the Company, and that accounting and accounting management complied with the relevant provisions, and there was no problems found. Deloitte Touche Tohmatsu of Hong Kong and Deloitte Touche Tohmatsu CPA LTD have audited the Financial Report of the Company for 2006 in accordance with HK GAAP and PRC accounting standards and issued their respective auditors' report with unqualified opinion. The Supervisory Committee considers that the auditors' reports give true view on the financial status, operating results and cash flows conditions of the Company and that the auditors' reports are fair, objective, true and reliable.

(IV) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON USE OF THE LAST RAISED PROCEEDS

The last proceeds of the Company were raised at the end of 2002 and used up as at 31 March 2003. The actual projects financed by the proceeds were consistent with the undertaken investment projects without change.

(V) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS OF THE COMPANY

The Company had no material acquisition and disposal of assets during the reporting period.

(VI) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS OF THE COMPANY

The Company had no material connected transactions during the reporting period.

Members of the Supervisory Committee attended 7 Board of Directors' meetings and all shareholders' general meeting in the year of 2006, and during the meetings exercised supervision over whether the resolutions of the Board and the general meetings complied with the laws, regulations of the PRC and the Company's Articles of Association and whether in the lawful interests of shareholders of the Company. The Supervisory Committee considers that the Company's Board of Directors was strictly conscientious in carrying out their duties in accordance with the resolutions passed at the general meetings.

During the reporting period, there has been no matter needing negotiated by supervisors on behalf of the Company with the Board nor proceedings against the directors.

Xiao Maolin
Chairman of the Supervisory Committee

24 April, 2007

