

SUPERVISORY COMMITTEE'S REPORT

1. Operations of the Supervisory Committee

- (1) The second meeting of the fifth term of Supervisory Committee was held on 10th April, 2006 at the conference room of the Company. Four out of five eligible supervisors attended the meeting. Mr. Liu Gang, the Chairman, could not attend the meeting due to official duties and he appointed supervisor Mr. Shen Guorong to preside at the meeting and vote on his behalf. The meeting complied with the Company Law of the PRC and the Articles of Association of the Company and is valid.
 - 1) the meeting considered and approved The 2005 Supervisory Committee Report;
 - 2) the meeting considered all resolutions passed at the 5th session meeting of the 5th term of board of directors.
- (2) The third session meeting of the 5th term of Supervisory Committee was held on 15th August, 2006 at the conference room of the Company. Four out of five eligible supervisors attended the meeting. Mr. Liu Gang, the Chairman, could not attend the meeting due to official duties and he appointed supervisor Mr. Shen Guorong to preside at the meeting and vote on his behalf. The meeting considered and approved the 2006 Interim Report made by the board of directors.

2. Independent opinion of the Supervisory Committee on the operations of the Company complying with laws

The Supervisory Committee attended the shareholder's meeting and board of directors' meeting and have supervision over the procedures on shareholders' meeting, board meeting, agenda of meeting, decision making, execution, related parties transaction, performance of the top management and the internal management.

The Supervisory Committee considered the implementation of the resolutions of shareholders' meeting and the board 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. In the course of supervision, no misconduct or illegal act by the board of directors and top management and no conflict of interest of the shareholders were noted.

3. Independent opinion of the Supervisory Committee on the inspection of financial position of the Company

During the reporting period, the Supervisory Committee reviewed the 2006 Annual Report and 2006 Profit Distribution Proposal and consulted to the audit reports issued by Xi'an Xigemea Certified Public Accountants Firm Ltd 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. The Supervisory Committee agreed with the audited report and the 2006 Profit Distribution Proposal.

SUPERVISORY COMMITTEE'S REPORT

4. Independent opinion of the Supervisory Committee on actual running of the Company's latest capital raising

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

5. Independent opinion of the Supervisory Committee on purchase and sales of the assets

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

6. Independent opinion of the Supervisory Committee on connected transaction

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