

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all three members of the supervisory committee of the Company ("Supervisory Committee") strictly complied with the PRC Company Law, the laws and regulations of Hong Kong and the Articles of Association of the Company. We adhered to the principle of honesty, and for the benefit of all shareholders we faithfully carried out the supervisory duties and rights. The Supervisory Committee has performed its work diligently, pragmatically and seriously, and protected the rights of the shareholders and the Company. The Supervisory Committee performed supervisory duties with respect to various aspects such as the operating condition, financial status, development plan and senior management staffs of 2007.

During the reporting period, the Supervisory Committee held two meetings.

During the financial year, the Supervisory Committee prudently reviewed the operational and development plans of the Company. The Supervisory Committee also raised reasonable recommendations and opinions to the Board. It also stringently and effectively supervised the important decisions made at the managerial level, and ensured that the decisions were made in compliance with the national laws and regulations and the Articles of Association. It also ensured that the decisions made were to the benefit of the shareholders.

The Supervisory Committee exercised supervision and inspection of the implementation of resolutions by the directors and the management through observation and attendance at meetings of the Board and general meetings. The Supervisory Committee is of the opinion that the directors and management of the Company have diligently performed their duties in compliance with resolutions of the general meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardized the interests of the Company and shareholders had been found in the performance of the Company's directors and the management.

The Supervisory Committee exercised supervision on a regular basis over the legal compliance and rationality of the Company's operation and management. It has also exercised supervision over work performance of the Company's directors and senior management. The Supervisory Committee is of the opinion that the Company's operation is sound and rational, and is in compliance with all laws, regulations and rules. The members of the Board and senior management of the Company in 2007 have faithfully and diligently performed their duties, and launched various tasks in accordance with the Articles of Association. The operation was in good order and the internal control system was closer to perfection.

The Supervisory Committee exercised supervision over the Company's operating activities. The Supervisory Committee is of the opinion that the Company has established a sound internal control system, and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlling its exposure to various operating risks. The Company's operation is in compliance with the PRC laws and regulations, the Articles of Association and its internal work procedures.

The Supervisory Committee has carefully verified and agreed to the contents of the report of the Board that is to be presented to the annual general meeting, and is of the opinion that the audited consolidated financial statements has reflected the actual status of the Company. The Supervisory Committee approved the Company's financial audit report presented by the international and domestic auditors of the Company.

The Supervisory Committee is optimistic about the prospect of the Company. In 2008, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the shareholders.

Shu Hedong

Chairman of the Supervisory Committee

Luoyang, the People's Republic of China
30 March 2008