

## REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the interests of the Company and its employees and shareholders in accordance with the relevant provisions of the Company Law and the Company's Articles of Association.

### I. The Work of the Supervisory Committee

On March 28, 2006, the 2005 Financial Review Meeting of the Supervisory Committee was held in Shenzhen Guanlan Ping An School of Financial Services. During the meeting, the Supervisory Committee considered and approved unanimously the 2005 Financial Review Report as well as the Feedbacks to the Questions and Recommendations in the Supervisory Committee Investigation Report, and reviewed and approved: (i) the 2005 financial statements and a preliminary draft of the auditor's report which were prepared in accordance with the PRC Generally Accepted Accounting Principles and (ii) the 2005 financial statements and a preliminary draft of the auditor's report which were prepared in accordance with the International Financial Reporting Standards.

On March 29, 2006, the seventh meeting of the fourth Supervisory Committee was held in Shenzhen Guanlan Ping An School of Financial Services. During the meeting, the 2005 Report of the Supervisory Committee, the Proposal concerning the Candidate of the Non-employee's representative of the fifth Supervisory Committee and the remuneration thereof, the Work Rules for the Supervisory Committee, the Code of Conduct for Supervisors were approved, and the 2005 Report on the Anticorruption Campaign and the 2005 Assessment Report on Internal Control were reviewed.

From May 26 to June 5, 2006, the first meeting of the fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution relating to Electing Mr. Xiao Shaolian as the Chairman of the fifth Supervisory Committee was considered and approved.

On August 15, 2006, the second meeting of the fifth Supervisory Committee was held in Shenzhen Guanlan Ping An School of Financial Services. During the meeting, the Company Internal Control Implementation Report for the first half of 2006 and the Brief Report on Compliance with the Code on Corporate Governance Practices were considered.

From September 19 to September 29, 2006, the third meeting of the fifth Supervisory Committee was held through written communication and voting. During the meeting, the Rules of Procedures of the Supervisory Committee was considered and approved unanimously.

The details of the attendance of the Supervisory Committee meetings by the members are set out as follows:

<b>Class of Supervisors</b>	<b>Name</b>	<b>No. of Supervisory Committee meetings attended/held</b>	<b>Percentage of attendance</b>
Independent Supervisors	XIAO Shaolian (Chairman)	4/4	100%
	SUN Fuxin	4/4	100%
	DONG Likun	3/3*	100%
	CHEN Shangwu (retired on May 25, 2006)	1/1	100%
Supervisors as representatives of shareholders	CHE Feng	3/3*	100%
	LIN Li	3/3*	100%
	DUAN Weihong	4/4	100%
	ZHOU Fulin (retired on May 25, 2006)	1/1	100%
Supervisors as representatives of employees	CHEN Bohai (retired on May 25, 2006)	1/1	100%
	HE Peiquan (retired on May 25, 2006)	1/1	100%
	SONG Liankun (retired on May 25, 2006)	1/1	100%
	HU Jie	3/3*	100%
	HE Shi	4/4	100%
	WANG Wenjun	3/3*	100%

\*The Supervisors, namely Dong Likun, Che Feng, Lin Li, Hu Jie and Wang Wenjun, were appointed as the Supervisors of the Company with effective from May 25, 2006.

In November 2006, certain members of the Supervisory Committee and the representatives of Independent Non-executive Directors of the Company conducted inspection and reviewed of the Group's Integrated Operating Centre in Zhang Jiang High-tech Park. During the reporting period, members of the Supervisory Committee attended the 2006 Annual General Meeting, the First Extraordinary General Meeting in 2006, the Second Extraordinary General Meeting in 2006, the First Domestic Shareholders' Class Meeting in 2006, the First H Shareholders' Class Meeting in 2006 and the seven meetings of the Board of Directors.

## **II. Independent Opinion on the Relevant Issues from the Supervisory Committee**

### **( I ) Lawful operation**

During the reporting period, the Company operated and managed its businesses in accordance with the laws. Its operational results were objective and true. There was greater development and improvement in the depth and scope of internal control management. Its operational decision-making processes were lawful. The Directors and other senior management staffs were cautious, serious and diligent in the business operations and management processes. They had never breached any laws, regulations, and the Articles of Associations of the Company or harmed the interests of the shareholders.

### **( II ) Authenticity of the financial statement**

Ernst & Young Hua Ming and Ernst & Young have issued the standard unqualified auditor's reports in accordance with the PRC and international accounting principles respectively for the Company's financial statement of the year. The financial statement truly, fairly and accurately reflected the financial condition and results of operations of the Company.

### **( III ) Use of proceeds from the Company's initial public offering**

The net proceeds from the Company's issue of H shares at the time of its listing in 2004, amounted to approximately RMB13,826 million. The proceeds were used, as stated in the prospectus of the Company, for general corporate purposes, fulfilling future repayment ability requirement, business development, strategic transactions, etc. The actual application of the proceeds was in accordance with the commitment made in the prospectus. The Company applied the proceeds reasonably and strictly according to the proposed use of proceeds.

### **( IV ) Company's acquisition and asset disposal**

The Company acquired 1,008 million shares of SZCB which held by 11 selling shareholders,

including Shenzhen Investment Holdings Co. Ltd., and subscribed for a further 3,902 million new shares of SZCB in December 2006. The Supervisory Committee considered that the terms of above-mentioned Share Purchase Agreement and Subscription Agreement were fair and reasonable to the shareholders, and the acquisition and subscription were in the interests of the Company and shareholders as a whole.

#### **(V) Connected transactions**

During the reporting period, the Company's connected transactions have not harmed the rights of the shareholders and the interests of the Company.

#### **(VI) Internal Control System**

The Company has set up a more complete, reasonable and effective internal control system.

#### **(VII) Implementation of the resolutions approved in the shareholders' general meetings**

The members of the Supervisory Committee attended the meetings of the Board of Directors and the shareholders' general meetings, and did not have any objection on the reports and proposals which submitted to the shareholders' general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved in the shareholders' general meetings and considers that the Board of Directors can seriously implement the resolutions approved in the shareholders' general meetings.

In the coming year, the Supervisory Committee will further enhance its work principles and fully implement scientific development perspective. It will continue to carry out its duties in accordance with the relevant provisions of the Company Law, the Articles of Association of the Company and the Listing Rules. It will especially comply with the regulatory requirements after the successful IPO of its A shares in the PRC, and adhere to the principles of diligence, fairness and honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders as a whole and commit to perform supervisory duties honestly and diligently, so as to achieve the best results in all respects.