

Report of the Supervisory Committee

TO: ALL SHAREHOLDERS

During 2000, the Supervisory Committee of the Company had faithfully and diligently performed their duties to safeguard the interests of the Company and its shareholders in a proactive, pragmatic and prudent manner in accordance with provisions of the Company Law of the People's Republic of China, the Listing Rules and the Articles of Association of the Company.

MAJOR WORK OF THE SUPERVISORY COMMITTEE DURING THE YEAR:

Three meetings of the Supervisory Committee were convened to review the 1999 Annual Report, 2000 Interim Results and the 2000 Report of the Board of Directors which will be tabled at the Annual General Meeting and to elect and appoint the Chairman of the second Supervisory Committee.

The attendance of the meetings of the Board of Directors and to give suggestions and opinions to the Board of Directors in respect of the development strategies, investment decisions and project development of the Company.

Non-periodic auditing of the financial records of the Company were conducted.

The Supervisory Committee considers that:

1. During the year, the Company was in strict compliance with the relevant laws and administrative regulations, the Listing Rules, the Articles of Association of the Company and the requirements of regulatory authorities. No incidents of violation have occurred.
2. The 2000 Annual Report of the Company truly, objectively and fairly reflects the operating results, assets and liabilities of the Company during the year.
3. During the year, the directors, general manager and other senior management of the Company performed their duties in an earnest manner. None of them had violated any laws or administrative regulations, the Articles of Association of the Company or have otherwise acted in infringing upon the interests of the Company, the shareholders and the staff.
4. During the year, the Company had not been involved in any material litigation or arbitration nor had the Supervisory Committee conducted any negotiation with or instituted legal proceedings against any directors.

5. During the year, the Company has strictly executed the agreements of connected transactions and complied with waiver provisions. The connected transactions were made in the ordinary course of business of the Group in accordance with normal business terms, and are fair and reasonable so far as the shareholders of the Company are concerned, and are in no way detrimental to the interests of the Company and its shareholders.

During the year, the world economy continued to grow, and Asian economy started to recover. The PRC government continued to adopt measures such as active fiscal and monetary policies to stimulate domestic demand and control over the total production of iron and steel products and encouraging export. As a result, the domestic steel market started to improve. The Company adopted a series of effective measures for the purpose of strengthening its management, reducing energy consumption and production costs, improving production technology and enhancing production efficiency. All these measures contributed to the significant improvement in the Company's operating results from loss to profit.

The Supervisory Committee is satisfied with the results of the Company during the year, and is confident in the prospect of the Company. The Supervisory Committee will continue to carry out its duties and contribute to the long-term development of the Company.

By Order of the Supervisory Committee

Zhu Jian Pai

Chairman of the Supervisory Committee

Chongqing, PRC

9th April 2001