

AUDITORS' REPORT

THE SHAREHOLDERS OF ANGANG NEW STEEL COMPANY LIMITED:

We accepted the appointment and have audited the Company's balance sheet as of 31st December 2000, and the income statement and profit appropriation statement and the cash flow statement for the year then ended. These financial statements are the responsibility of the Company. Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards for Chinese Certified Public Accountants issued by the Ministry of Finance of the People's Republic of China. In the course of our audit, we considered the circumstances of the Company and carried out such audit procedures, including an examination of the accounting records on a test basis, as we deemed necessary.

In our opinion, the above-mentioned financial statements comply with the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting System for PRC Joint Stock Companies issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the financial position of the Company as of 31st December 2000, and the results of operations and cash flows of the Company for the year then ended, and the accounting policies have been consistently applied.

KPMG Peat Marwick Huazhen
China

Certified Public Accountants
Registered in the People's Republic of

Unit 1608, Level 16
China World Tower 2
China World Trade Centre.
No. 1, Jian Guo Men Wai Ave
Post Code: 100004

Zhao Qi

Wu Wei

20th March 2001