

## **Report of the Supervisory Committee**

During the reporting period, the Supervisory Committee convened two meetings. The main themes of the meetings include: considering and passing "Report of Supervisory Committee for 1999"; hearing report from the directors and finance-in-charge of the Company about the financial situation and operations of the Company for 1999; checking the truthfulness and legality of the financial statements and profit distribution proposal of the Company; reviewing the implementation of resolutions proposed at general meetings by the board of directors; hearing the report from the finance-in-charge about the financial position of the Company for the first half of 2000; learning the relevant legal regulations.

The Supervisory Committee considers that:

1. The Company operated strictly in accordance with the relevant laws and regulations and the Articles of Association for the year. The procedures for decision making of the board of directors complied with the requirements for the procedure. The scope of work of the board of directors and the audit committee ensured the truthfulness, accuracy and completeness of the financial statements of the Company.
2. The Company have prepared its financial statements in accordance with the Accounting Regulations for Enterprises, the Accounting Systems for Joint Stock Companies and the relevant supplemental provisions in respect of the handling of financial matters issued by the Ministry of Finance of the State as well as the Hong Kong Generally Accepted Accounting Principles and the Companies Ordinance of Hong Kong.
3. The unqualified auditors' report prepared by Ernst & Young Hua Ming and Ernst & Young for the year truly and fairly reflected the financial position and operating results of the Company.
4. As at 31 December 2000, the proceeds of the Company had been used up. There was no new proceeds during the reporting period.
5. During the reporting period, the Company had no transaction of acquisition and disposal of assets. No insider dealings was found, nor harms to interest of shareholders and loss of assets of the Company.
6. The connected transactions between the Company and Holding were mainly for provision of mutual services and purchase of iron ore from Holding. The connected transactions were executed strictly in accordance with the "Service Agreement", and the "Sales and Purchase of Iron-ore Agreement" and there was no conflict of interest with the Company.