

Report of the Auditors

To the members

Maanshan Iron & Steel Company Limited

(Established in the People's Republic of China with limited liability)

We were appointed to audit the balance sheet and the consolidated balance sheet of Maanshan Iron & Steel Company Limited (the "Company") and its subsidiaries (collectively the "Group") as at 31 December 2000, and the profit and loss account, consolidated profit and loss account, cash flow statement and consolidated cash flow statement for the year then ended, in accordance with "Independent Auditing Standards for Chinese Certified Public Accountants". The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to issue an audit opinion on those statements. In the course of our audit, we have taken the current circumstances of the Company and its subsidiaries into account, and have performed the audit procedures that we considered necessary, including test checking various accounting records.

In our opinion, the financial statements referred to above have been properly prepared in accordance with the requirements of "The Accounting Standards for Enterprises" and "The Accounting System for Joint Stock Companies". The financial statements give a true and fair view, in all material respects, of the Company's state of affairs and consolidated state of affairs as at 31 December 2000, and of its results and consolidated results, and cash flows and consolidated cash flows for the year then ended. The accounting policies adopted are consistently applied.

Yours faithfully,

ERNST & YOUNG HUA MING
Certified Public Accountants

Jin Xin Ge Ming

Beijing, The People's Republic of China
18 April 2001