

During the reporting period, the Supervisory Committee convened four meetings. The main themes of the meetings include: considering and passing the "Report of Supervisory Committee for 2000"; hearing the report from the directors and finance-in-charge of the Company about the financial situations and operations of the Company for 2000; checking the truthfulness and legality of the financial statements and profit distribution proposal of the Company; hearing the report from the directors and finance-in-charge about the operations and the financial position of the Company for the year 2000 and the first half of 2001; reviewing the implementation of resolutions proposed at general meetings by the Board of Directors and the discharge of duties of Directors and senior management; and approving the resignation application put forward by Chairman of the Supervisory Committee, Mr. Gao Shenghai, for reason of retirement and electing Mr. Gao Junsheng as Chairman of the Supervisory Committee.

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, the work of the Board of Directors and the audit committee complied with the relevant requirements. The Company has established a comprehensive internal control system and a set of management rules. Directors, managers and senior management did not, in discharging their duties, contravene law, regulations, the Articles of Association or behave in such a way that was harmful to the interests of the Company.
2. 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.
3. As at 31 December 1999, the proceeds of the Company had been used up. There was no new proceeds during the reporting period.
4. During the reporting period, the Company had no transaction of acquisition and disposal of assets. No insider dealing was found, nor any infringement of shareholders' interests or loss of assets of the Company.
5. 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.