



## Report of the Supervisory Committee

During the reporting period, the Supervisory Committee convened eight meetings. The main businesses were: to consider and approve the "Work Report of the Supervisory Committee of 2001"; to receive and approve the report from the directors and finance officers of the Company on the financial position and operations of the Company for 2001; to verify the authenticity and legality of the financial statements and profit distribution plan of the Company; to receive and approve the report from the directors and finance officers on the operations and the financial position of the Company for the first half of 2002; to review the implementation of resolutions proposed at general meetings by the Board of Directors and the discharge of duties of Directors and senior management; to elect the Chairman of the Fourth Session of the Supervisory Committee; and to amend the "Rules of Proceedings for the Supervisory Committee."

In the opinion of the Supervisory Committee:

1. The Company operated strictly in accordance with the relevant laws and regulations and the Articles of Association; the procedures of decision-making were in compliance with relevant laws and regulations; the operations of the Board of Directors and the Audit Committee were in compliance with relevant requirements; and the Company has established a comprehensive internal control system and stringent management rules. None of the Directors, managers or other senior management staff had, in the discharge of their duties, contravened any laws, regulations or the Articles of Association or acted in such manner as would be harmful to the interests of the Company.
2. The 2002 auditors' reports in respect of financial auditing for 2002 prepared by Ernst & Young Hua Ming, the domestic auditor, and Ernst & Young, the international auditor, which were unqualified, 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 fully utilised. There was no additional fund raising during the reporting period.

4. During the reporting period, the Company had not conducted any transactions related to the acquisition or disposal of assets. No insider dealings, infringement of shareholders' interests or loss of the Company's assets had been identified.
  
5. The connected transactions between the Company and Holding were mainly concerned with the mutual provision of services and the purchase of iron ore from Holding. The connected transactions were executed strictly in accordance with provisions of the "Service Agreement" and the "Iron Ore Sales and Purchase Agreement" without any prejudice to the listed company's interests.