

Report of the Supervisory Committee

During the year, members of the Supervisory Committee carried out their duties conscientiously in accordance with the Company Law and the Articles of Association of the Company to protect the lawful interests of the Company and its shareholders.

- (i) The Supervisory Committee attended 2 general meetings, 2 Board meetings of the Company as non-voting participants and convened 3 supervisory meetings. The Supervisory Committee proposed independent opinions and advice on the basis of their full knowledge of the Company's major production and operation decisions and implementation process.
 - 1. The second Supervisory Committee convened the eighth meeting on 31 March 2003 at which the following resolutions were examined and passed:
 - (1) the report of the Supervisory Committee for the year 2002;
 - (2) the proposal on the remuneration of supervisors for the year 2002;
 - (3) the resolution in relation to the election of the members of the third Supervisory Committee.
 - 2. The third Supervisory Committee of the Company convened the first meeting on 20 June 2003 at which the resolution in relation to the appointment of Mr. Qi Cong as the Chairman of the third Supervisory Committee was examined and passed.
 - 3. The third Supervisory Committee of the Company convened the second meeting on 19 August 2003 at which the Company's 2003 interim report and its summary was examined and passed.
- (ii) The Supervisory Committee assisted the Company in regulating itself as a joint stock company and strengthening its internal supervision. It also effectively monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as PRC Company Law and the Company's Articles of Association. It has examined and reviewed the connected transactions entered into between the Company and Angang Holding as well as reviewed the relevant information in order to ensure the fairness of such transactions.

Report of the Supervisory Committee *(Continued)*

The Supervisory Committee provided independent opinion on the following issues:

1. During the year, the Company's operations had complied with all relevant laws and regulations and no violation of regulations had occurred. The Company has improved its internal management system and the decision making procedure of the Company complied with applicable laws and regulations.
2. None of the directors and the general manager had violated any laws or regulations or the Articles of Association of the Company when performing their duties or have otherwise acted in a manner as to infringe upon the interests of the Company.
3. The auditors' report issued by the auditors accurately reflected the Company's financial position and operating results.
4. The actual application of the proceeds was in line with the projects undertaken.
5. During the year, all the connected transactions with Angang Holding, including the purchases of raw materials, materials, energy and utilities were conducted on the basis of arm's length negotiation; there was no insider dealing, the interests of the Company were not adversely affected and the Company did not incur any loss in value to its assets.

On behalf of the Supervisory Committee

Qi Cong

Chairman of the Supervisory Committee

16 April 2004