

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2003, three meetings were held by the Supervisory Committee.

The Ninth Meeting of the First Supervisory Committee was held at the Company's conference room on 3 February, 2003. Senior officers of the Company presented their reports on the Company's operations in 2002 in the meeting. The Company's final financial statements of 2002 year and the audit report issued by Ernst & Young Hua Ming were reviewed. Conclusions were drawn on the annual performance of the Supervisory Committee, where the "2002 Working Report of the Supervisory Committee" was considered and approved in the meeting for submission to the general meeting.

The First Meeting of the Second Supervisory Committee was held at the Company's conference room on 28 June, 2003. In the meeting, Mr. Zheng Qingxiang was re-elected as the chairman of the Supervisory Committee.

The Second Meeting of the Second Supervisory Committee was held at the Company's conference room on 18 October, 2003. The meeting examined the various resolutions regarding external investment projects of the Company and "Regarding adjustments on the use of proceeds" which the Board intend to submit to the general meeting.

II. INDEPENDENT WORKING REPORT OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee attended all the Board meetings. The chairman of the Supervisory Committee also participated in the meeting for the General Manager's office, received working reports of the Board and the management, and participated in the studies and issued opinions on the major decisions, significant change in appointments, resolution for fund raising of the Company.

1. Compliance of the Company's operations during the reporting period

In accordance with the relevant resolutions in general meetings, the Board seriously implemented the various resolutions. Its decision procedures complied with the Company Law and the Articles of Association. On the principles of prudent operations, the Company effectively prevented and diverted the risks of loss of assets. Through setting up internal control system, management on project investment, rules for connected transactions, management on guarantees to external parties, materials purchasing system, management on engineering project tendering, these various rules and systems were duly implemented after considerations and passed by the Board. It is not aware of violation of the laws, regulations, the Articles of Association or the Company's interests being hampered by the Company's directors and senior officers in the course of performance of their duties.

Report of the Supervisory Committee

2. The Company's financial statements for the year was audited by Ernst & Young Hua Ming, which has issued an audit report without qualified opinion that truly reflected the financial condition and operating results of the Company.

During the year, the Company realised sales income of RMB1,050,000,000 million, and net profits of RMB314,000,000 million, an increase of 127% over the previous year, and satisfactorily completed the working plans for the year.

3. **Fund raising**

During the year, the Company raised RMB1,408,373,000 through listing. After deducting the payment to the Social Security Fund and share issue expenses relating to the sale of H Shares, net proceeds amounted to RMB1,205,748,000 have all been credited to the Company's account before February 2004.

4. **Connected transactions**

Upon review and examination, the Company's connected transactions were found to have strictly in compliance with the relevant requirements, which did not have any adverse effect on the Company's interests, and full disclosures were made on the connected transactions. The major transaction being: "Sub-contracting contracts of Zijinshan Gold Mine open pit project". In 2003, the transaction actually conducted between the Company and Xinhua Engineering was RMB97.09 million in terms of monetary amount, representing 51.2% of similar transactions. The transaction actually conducted the Company and Hongyang Mine was RMB72.29 million in terms of monetary amount, representing 38.13% of similar transactions.

5. **Guarantees to external parties**

The Company's Guarantees to external parties were Board resolutions made under the principles of cautious operations to effectively prevent and divert risks of asset losses, were serious and pragmatic, and disclosures on the guarantees to external parties truly reflected the Company's actual situation.

By Order of the Supervisory Committee
Zeng Qingxiang
Chairman of the Supervisory Committee

Fujian, the PRC
3 April 2004