

Report of the Supervisory Committee

Six committee meetings were convened during 2003 for making resolutions in relation to different matters. Major matters on the agenda of the meetings were: (1) to receive the report from the finance officer of the Company on Magang's structural adjustment scheme in relation to the 10-5 Plan, and to consider matters in relation to the Company's investments and bad debts of accounts receivable canceled after verification in 2003; (2) to receive the report from the finance officer of the Company on the production operations and financial position of the Company for 2002; to consider the 2002 annual report, the "Work Report of the Supervisory Committee of 2002", 2002 financial statements, profit appropriation for 2002 and the "Supplemental Service Agreement" and the "Supplemental Iron Ore Sales and Purchase Agreement" executed as connected transactions of the Company; (3) to receive the report from the finance officer of the Company on the production operations and financial position of the Company for the first half of 2003; to consider the reports and summary for the first half of 2003; to review the framework, contents and format of the new connected transactions of the Company; (4) to consider and approve the basic judgments made by the Board of Directors towards the "Service Agreement" and the "Sales and Purchase of Iron Ore Agreement" signed between the Company and the Holding, and to agree that such resolutions to be put forward at an extraordinary general meeting of the Company for consideration; (5) to receive the report from the finance officer of the Company on the financial position and production operations of the Company for the third quarter of 2003; and (6) to consider the financial budgets of the Company for 2004.

1. OPERATIONS IN COMPLIANCE WITH THE LAW

The Company operates strictly in compliance with the relevant law and regulations and the Articles of Association. Members of the Board of Directors, managers and senior management staff of the Company, holding themselves accountable to our shareholders, all performed their duties with diligence and devotion and have accomplished the missions delegated by the shareholders in quite a satisfactory manner.

2. INSPECTION ON THE FINANCIAL POSITION OF THE COMPANY

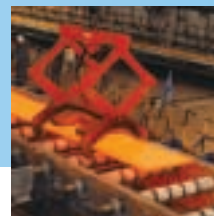
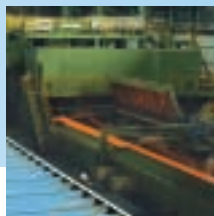
The financial statements of the Company truly reflected the financial position and operating results of the Company. The auditing opinions prepared by the Auditors gave an objective and fair view on the financial position and operating results of the Company. The Company has sound financial and accounting systems and has implemented regulated management on financial affairs.

3. UTILISATION OF PROCEEDS

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. DEALINGS IN ASSETS

During the reporting period, the Company had not conducted any transactions related to the acquisition or disposal of assets. No insider trading or infringement of the Company's interest or shareholders' interest had been identified.



5. CONNECTED TRANSACTIONS

During the reporting period, the connected transactions between the Company and the Holding were mainly in relation to the mutual provisions of services and the purchase of iron ore by the Company from the Holding. The resulted connected transactions were made strictly in accordance with provisions of the "Supplemental Service Agreement" and the "Supplemental Iron Ore Sales and Purchase Agreement" entered into between the two companies. The connected transactions of the Company were carried out in a fair and reasonable manner without prejudicing the interest of the listed company.