

Report of the Supervisory Committee

The Supervisory Committee convened six meetings in 2005 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 the production operations and the financial position for 2004, and to review matters in relation to the Company's cancellation of bad debts, making of provision for inventory impairment as well as making provisions, write-off and reversing part of the assets impairment provisions; (2) to consider the increase in credit limit with respect to the guarantee for Ma Steel International Trade and Economic Corporation by the Company; (3) to consider the 2004 annual report, the Work Report of the Supervisory Committee of 2004, 2004 financial statements and the profit appropriation for 2004; (4) to consider the acquisition of the steel structure manufacturing and installation business and the electrical and mechanical installation business from Construction Co. Ltd. of Magang (Group) Holdings Co., Ltd.; (5) to discuss and approve the Order of Meeting for the Supervisory Committee of Maanshan Iron & Steel Company Limited; (6) to nominate the candidate for supervisor not representing staff for the fifth session, and to discuss and approve on the resolution in respect of the remuneration and payment method thereof for the fifth session of the Supervisory Committee; (7) to receive the report from the finance officer of the Company on the production operations and the financial position of the Company for the first half of 2005 and to consider the reports and summary for the first half of 2005; (8) to consider the transfer of the equity interests in 五環報廢汽車回收拆解有限責任公司; (9) 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 2005. The Supervisory Committee considers that:

1) OPERATIONS IN COMPLIANCE WITH THE LAW

During the reporting period, the Company operated strictly in compliance with the relevant laws 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 a satisfactory manner.

2) INSPECTION ON THE FINANCIAL POSITION OF THE COMPANY

The Supervisory Committee timely examined the production operations and the financial position of the Company in accordance with the monthly financial statements prepared and submitted by the finance department of the Company and listened to the explanations from the finance department on preparing every kind of financial statements of the Company, and reviewed the annual audit report prepared by Ernst & Young. In the opinion of the Supervisory Committee, the financial statements were prepared in compliance with relevant accounting standards and consistently followed the accounting practice; the financial statements truthfully and accurately reflected the financial position and operating results of the Company. The auditing opinions prepared by the Auditors are objective and fair.

Report of the Supervisory Committee (continued)

3) UTILISATION OF PROCEEDS

As at 31 December 1999, the proceeds recently raised by the Company had been fully utilised. There was no additional fund raised during the reporting period.

4) DEALINGS IN ASSETS

During the reporting period, the Company acquired the steel structure manufacturing and installation business and the electrical and mechanical installation business from Construction Co. Ltd. of Magang (Group) Holdings Co. Ltd., a subsidiary of Holding, and transferred 40% of equity interest in 五環報廢汽車回收拆解有限責任公司 held by the Company. The Supervisory Committee considers the acquisition or transfer price fair and reasonable and will not adversely affect the Company and its shareholders.

Save as the above, the Company has 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 has been identified by the Supervisory Committee.

5) CONNECTED TRANSACTIONS

During the reporting period, the connected transactions between the Company and Holding were made in accordance with the relevant provisions and with their decision-making procedures were in compliance with regulations. All connected transactions with prices determined on the basis of market prices were carried out in a fair and reasonable manner without prejudicing the interests of the Company and its shareholders.