

Report of the Supervisory Committee

During the year, members of the Supervisory Committee duly fulfilled their duties in accordance with the Company Law and the articles of association of the Company in order to protect the lawful interests of the Company and its shareholders.

- (i) The Supervisory Committee attended 3 general meetings and 3 Board meetings of the Company as non-voting participants and convened 3 supervisory meetings. The Supervisory Committee has given independent opinions and advices on the basis of their full knowledge of the Company's major production and operation decisions and implementation process.
 1. On 16 March 2005, the third Supervisory Committee held the sixth meeting, at which the following matters were considered and approved passed:
 - (1) The Company's annual report for 2004;
 - (2) The report of the Supervisory Committee of the Company for 2004;
 - (3) The proposed remuneration for the supervisors of the Company for 2004.
 2. On 12 August 2005, the third Supervisory Committee held the seventh meeting, at which the following matters were considered and approved:
 - (1) The Company's interim report and its summary for 2005;
 - (2) The Company's interim profit distribution proposal for 2005.
 3. On 20 October 2005, the third Supervisory Committee held the eighth meeting, at which the proposed issue of new shares for the acquisition of assets was considered and approved.

- (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 the PRC Company Law and the articles of association of the Company. It has examined and reviewed the connected transactions entered into between the Company and Angang Holding and the relevant information in order to ensure the fairness of such transactions.

The Supervisory Committee had given independent opinions 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 and 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 Company's financial report 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. The Company's asset acquisitions were based on fair considerations without insider dealing and the interests of minority shareholders were not adversely affected and the Company did not occur any loss in value to its assets.
6. During the year, continuing connected transactions and other connected transactions were conducted on a fair basis in the Company's production and operation. There was no insider dealing and the interests of the Company were not adversely affected.

On behalf of the Supervisory Committee

Qi Cong

Chairman of the Supervisory Committee

10 April 2006