

Report of the Supervisory Committee

1) CONVENING OF SUPERVISORY COMMITTEE MEETINGS

The Supervisory Committee convened six meetings in 2006 for making resolutions in relation to relevant matters. Major matters on the agenda of the meetings were: (1) to consider the "Report on Performance of Duties" regarding non-independent supervisors who received remunerations from the Company, and to determine the annual remunerations for such supervisors within the total annual remunerations for supervisors authorised by the shareholders' general meeting in accordance with the assessment results; (2) to receive the report from the finance officer of the Company on the production operations and the financial position for 2005, and to review matters in relation to the Company's cancellation and reversal of certain assets impairment provisions; (3) to consider the Company's application to the Export-Import Bank of China for export seller's credit for high-tech products; (4) to consider the 2005 annual report and its summary, and the Work Report of the Supervisory Committee of 2005; (5) to discuss the amendment of the "Order of Meeting for the Supervisory Committee of Maanshan Iron & Steel Company Limited" and to submit the newly amended "Order of Meeting for the Supervisory Committee" as an appendix of the Articles of Association to the Company's annual general meeting for consideration; (6) to consider the Company's proposed issuance of Bonds with Warrants and the Company's resolution relating to the feasibility of the project to be invested with the proceeds from the proposed issuance; (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 2006 interim report and summary; (8) 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 2006; (9) to consider the Company's acquisition of 71% equity interests in Burwill Coil Centre (Yangzhou) Company Limited; (10) to consider the New Sale and Purchase of Ore Agreement for 2007 to 2009.

2) SUPERVISION OVER SIGNIFICANT MATTERS OF THE COMPANY IN 2006

1. Operations in compliance with the law

The Board conscientiously executed resolutions approved at the shareholders' general meeting and operated in compliance with the State's laws and regulations and the Articles of Association. The series of significant decisions made in 2006 were regulated in procedures and lawfully valid. The internal control mechanism of the Company was healthy and strictly enforced. Directors and senior management of the Company faithfully performed their duties for the Company, carried out regulated management, and pushed forward development and innovations, while respecting and protecting and interests of the shareholders as a whole. No breaches on the laws, regulations, Articles of Association or actions that damage the interests of the Company and shareholders were found.

2. Operations of the Company

In 2006, the Company operated in line with the theme of "Implementing the low-cost strategy and the brand strategy", starting the campaign of "Pushing forward standardised operation; Raising product quality". The Company effectively disseminated and implemented various measures, successfully achieving all yearly economic targets and maintaining the steady and healthy momentum of corporate development. Meanwhile, the Company pushed forward with reforms and strengthened its management, thereby further enhancing its modernised corporate system.

The Supervisory Committee is of the view that no material breaches on financial disciplines and the financial system were found in the Company during the reporting period, and the aforementioned data truthfully represented the financial position and operating results of the Company.

3. Fundraising and use of funds of the Company

Proceeds from the Company's issuance of Bonds with Warrants in November 2006 were invested in projects with high technological quality and advanced techniques, which offer promising market prospects. The commencement of such projects will facilitate the further development of the Company's principal businesses, allowing the Company to expand its business scale and optimise its product mix. Accordingly, the Company's core competitiveness and capability for sustainable development will be strengthened, in line with the relevant State industry policies and the Company's development strategies. The raising and use of funds for the Company's production, operation and investments complied with the Company's operating needs and the relevant requirements of the Board, with no breaches on regulations found.

4. Implementation of the Company's investment projects

The Supervisory Committee is of the view that the investment projects implemented by the Company were in the interests of shareholders and complied with the spirit of the resolutions approved at the shareholders' general meetings. Such projects are beneficial for the sustainable development of the Company, without prejudicing the interests of the Company and shareholders.

5. Connected transactions of the Company

During 2006, the prices on the Company's connected transactions were fair and no actions prejudicing the interests of the Company and shareholders were found.

6. Acquisitions and swaps in equity interests and assets of the Company

During 2006, the Company did not undergo any material debt restructuring activities, material non-monetary transactions, material asset acquisitions, swaps, transfers or disposals, or any significant matters affecting the decision-making of investors. As at present, no insider dealing has been found, nor are there any events prejudicing the interests of the Company and shareholders or causing asset losses to the Company.