

Report of the Auditors

ERNST & YOUNG HUA MING

安永华明会计师事务所

Ernst & Young Hua Ming (2007) Shen Zi No. 60438514-A02

To the shareholders of Maanshan Iron & Steel Company Limited

We have audited the accompanying financial statements of Maanshan Iron & Steel Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company balance sheet as at 31 December 2006, the consolidated and company statement of income and profit appropriation, consolidated and company cash flow statement for the year then ended and notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises and "Accounting System for Business Enterprises". This responsibility includes (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements of the Company and the Group have been prepared in accordance with Accounting Standards for Business Enterprises and “Accounting System for Business Enterprises”, and present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2006, and the results of their operations and their cash flows for the year then ended.

Ernst & Young Hua Ming

Beijing, the People’s Republic of China

Ge Ming

Chinese Certified Public Accountant

Qin Tongzhou

Chinese Certified Public Accountant

17 April 2007