

To All Shareholders:

In 2006, the Supervisory Committee of the Company had diligently performed their duties in strict Compliance with the provisions of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to safeguard the interests of the Company and the shareholders.

Major work of the Supervisory Committee for year 2006:

I. Three meetings of Supervisory Committee were convened during the year.

The 7th meeting of the third Supervisory Committee was convened on 29th March to consider and approve the following matters:

- (1) The 2005 Results Announcement and annual report of the Company;
- (2) The 2005 Report of the Supervisory Committee of the Company;
- (3) Chongqing Iron and Steel (Group) Company Limited, the shareholder of the Company, nominated Mr. Zhu Jian Pai, Huang You He and Ms. Yuan Xue Bing as candidates for supervisors (representatives of shareholders) of the 4th Supervisory Committee and presented the 2005 AGM for election.

2. The 1st meeting of the 4th Supervisory Committee was convened on 9th June to consider and approve the following matters:

- (1) Mr. Zhu Jian Pai as the chairman of the 4th Supervisory Committee.

3. The 2nd meeting of the 4th Supervisory Committee was convened on 28th August to consider and approve the following matters:

- (1) The 2006 un-audited Interim Financial Statements of the Company.
- (2) The 2006 Interim Results Announcement and Interim Report of the Company.

II. The attendance of the 2005 Annual General Meeting and the General Meeting for Holders of Domestic Shares and the General Meeting for Holders of H Shares and had carefully reviewed the financial statement and profit distribution proposal.

III. The meetings of the Board and the Audit Committee were attended to implement stringent surveillance over their work.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

The Supervisory Committee expressed independent advice on the following matters in accordance within its terms of reference:

1. During the year, the Company operated in strict compliance with the provisions of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Articles of Association of the Company. The Company has improved its internal management system and the decision making procedure of the Company. None of the Directors and the deputy general manager and other senior management had violated any laws or regulations or the articles of association of the Company when performing their duties.
2. The 2005 annual report and the 2006 Interim Report of the Company give an objective, true and fair view of the production operations and financial position of the Company in 2005 and the first half of 2006.
3. During the year, the connected transactions entered into by the Company were in strict compliance with the provisions of the Listing Rules and based on fair considerations.
4. The Company made information disclosure on a timely and accurate basis.
5. The Supervisory Committee would like to extend its gratitude to the shareholders of the Company for their trust and support. The Supervisory Committee will strengthen further the supervision to meet the production and operation targets of the Company in 2007.

By order of the Supervisory Committee
Zhu Jian Pai
Chairman of the Supervisory Committee

Chongqing, the PRC
19th April 2007