

## OTHER EVENTS

### GENERAL MEETING

As at 30th June 2005, the Company convened the following general meetings:

(i) *2004 Annual General Meeting*

The Company's 2004 Annual General Meeting was held on 18th May 2005. At the meeting, the report of the Board of Directors, report of the Supervisory Committee, the audited accounts and the auditors' report for the year 2004, the profit distribution proposal and the distribution of final dividends, the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoppers Zhong Tian Certified Public Accountants as the international auditors and the PRC auditors of the Company respectively and the authorisation to the Board to determine whether to declare interim dividends for the year 2005 were considered and approved as ordinary resolutions.

(ii) *General meetings for holders of Domestic shares and H shares*

On 18th May 2005, the Company convened general meetings for holders of domestic shares and H shares. At the two meetings, the following special resolution was considered and approved:

To approve the extension of the validity period of the implementation of resolutions in relation to the A Shares Issue passed at the general meetings for holders of domestic shares and H shares and the Extraordinary General Meeting held on 8th April 2004 until such time as the Company's 2005 Annual General Meeting is held.

## OTHER EVENTS (CONTINUED)

### GENERAL MEETING (CONTINUED)

#### (iii) 2005 first Extraordinary General Meeting

The Company's 2005 first Extraordinary General Meeting was held on 18th May 2005. At the meeting, the following special resolutions were considered and approved:

1. To approve the extension of the validity period for the implementation of the resolutions in relation to the A Shares Issue passed at the general meetings for holders of domestic shares and H shares and the Extraordinary General Meeting held on 8th April 2004 until such time as the Company's 2005 Annual General Meeting is held.
2. To approve the resolution in relation to dealing with the relevant matters during the validity period after the extension of the authorisation granted to the Board of the Company to deal with matters related to the A Shares Issue passed at the Extraordinary General Meeting of the Company held on 8th April 2004.

### BOARD MEETING

As at 30 June 2005, the Company convened two Board meetings in total, details of which are as follows:

1. On 10th March 2005, the seventh meeting of the third Board of the Company was held, at which the annual report, the audited financial accounts, the results announcement and the final profit distribution proposal for the year 2004, the investment plan for year 2005 and the proposal for re-appointment of auditors were considered and approved.
2. On 1st September 2005, the eighth meeting of the third Board of the Company was held. At the meeting, several matters including the Company's 2005 interim report and unaudited interim financial accounts, interim results announcement and summary of results were considered and approved.

## AUDIT COMMITTEE

As at 30th June 2005, the audit committee of the Company convened two meetings in total, details of which are as follows:

1. On 9th March 2005, the fourth meeting of the second Audit Committee of the Company was held, at which the audited financial accounts and the auditors' report for 2004, matters of internal control, connected transactions in 2004 and the appointment of external auditors were considered and approved.
2. On 31st August 2005, the fifth meeting of the second Audit Committee of the Company was held, at which the Company's 2005 interim report, the unaudited interim financial accounts and interim results announcement for 2005 were considered and approved.

## SUPERVISORY COMMITTEE

As at the date of this report, the Supervisory Committee of the Company convened two meetings in total, details of which are as follows:

1. On 8th March 2005, the fifth meeting of the third Supervisory Committee of the Company was held, at which the Company's 2004 annual report and the audited financial accounts, results announcement and report of the Supervisory Committee for 2004 were considered and approved.
2. On 31st August 2005, the sixth meeting of the third Supervisory Committee of the Company was held, at which the Company's 2005 interim report and the unaudited interim financial accounts and interim results announcement for 2005 were considered and approved.

## DIVIDENDS

The directors do not recommend the payment of interim dividends for the six months ended 30th June 2005 (2004 interim: nil).

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

According to the regulations of Section 336 of Securities and Futures Ordinance of Hong Kong ("SFO") as at 30th June 2005, the equity interests and short position of the shares and underlying shares of the Company registered in the equity registrar of the Company are as follows:

Name of shareholders	Class of shares	Number of shares ( <i>'000 shares</i> )	Percentage in the total issued share capital (%)
Chongqing Iron & Steel Company (Group) Limited	State-owned legal person shares	650,000	61.09
UBS AG	H shares	50,400	12.18

Save as disclosed above, as at 31 June 2005, none of the persons (whose interests are set out in the section "Interests of directors and supervisors in shares of the Company or associated companies" below) other than directors and executive directors of the Company have any interests or short positions in shares or underlying shares of the Company that are required to be registered in accordance with Section 336 of the Securities and Futures Ordinance.

## INTERESTS OF DIRECTORS AND SUPERVISORS

As at 30th June 2005, the interests and short positions of the directors and chief executives in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in Duoli Real Estate Co., Ltd. of Chongqing Iron & Steel Group (originally named Chongqing Hengda Steel Industrial Co., Ltd.):

<b>Name (Note 1)</b>	<b>Number of shares</b>
Yuan Jin Fu	2,400
Chen Shan	800
Yang Zhi Wei	800
Sun Yi Jie	800
Tu De Ling	800
Yuan Xue Bing	800
Chen Hong	1,600

*Note 1:* This represents interests of the directors and supervisors in Hengda which was transferred from the Company to the Holding Company in December 2002.

Save as disclosed above, as at 30th June 2005, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### **INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)**

For the period, none of the Directors or Supervisors or their spouses or children under 18 years of age has been granted by the Company the rights to subscribe for the Company's shares.

At no time during the period was the Company, its fellow subsidiaries or its Holding Company a party to any arrangements to enable the Directors or Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors or supervisors of the Company were materially interested, either directly or indirectly, in any contract of significance subsisting during or at the end of the period ended 30th June 2005.

### **SIGNIFICANT EVENTS**

1. On 21st February 2005, the 240 m<sup>2</sup> sintering machine of the Company's sintering plant took a joint pilot.
2. On 18th March 2005, the converter furnace 4# of the Company's steel smelting plant was put into operation successfully.
3. On 26th April 2005, the Company's application for issue of not more than 350,000,000 A shares in the PRC passed the examination by the Issuing Audit Committee of China Securities Regulation Commission.

### **PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY**

During the period, the Company did not purchase, sell or redeem any securities of the Company.

### **DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS**

As at 30th June 2005, the Company had not placed any designated deposits with any financial institutions in the PRC, nor had it failed to collect any time deposits upon maturity during the period.

### **FOREIGN EXCHANGE RISK**

The Company's sales and operating profit all derived within the PRC's domestic regions. Most of the transactions, assets and liability of the Company are measured in Renminbi or US dollars. Renminbi cannot be converted into other currencies freely.

Risk of foreign currency incurred by future commercial trading, recognised assets and liability of overseas business. The Company control the risk on foreign exchange through periodical review and supervisory on the exposure of foreign exchange.

### **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

The Company has pledged certain of its fixed assets as securities for bank loans. As at 30th June 2005, the net book value of the Company's pledged fixed assets amounted to RMB335,568,000 (31st December 2004: RMB364,384,000).

As at 30th June 2005, the Company had no contingent liabilities. (31st December 2004: nil).

### **MATERIAL LITIGATION**

During the period, the Company did not involve in any significant litigation or arbitration.

### SALE OF STAFF QUARTERS

For the six months ended 30th June 2005, the Company had not sold any quarters to its employees. Nor had it incurred any expenses as a result of the Holding Company's sale of quarters to the Company's employees.

### EMPLOYEES AND REMUNERATIONS

As at 30th June 2005, the Company had 11,637 employees, including 9,793 production operators, 900 technical staff and 944 management staff.

The Company implemented remuneration distribution policy of linkage between duties and efficiency. The remuneration of employee will be distributed in accordance with examination in respect of working responsibility, technique, strength, environment and contribution. During the period, the staff cost of the Company amounted to RMB308,208,000 (ended 30th June 2004: RMB254,984,000).

The Company has always placed emphasis on staff training and knowledge upgrade. During the period, the staff received training for a total of 6,351 times, covering 58.87% of the staff.

### CORPORATE GOVERNANCE

The Company continues to improve its standard of corporate governance and believes that high-level and serious corporate governance is vital for its growth and protection of interests of its shareholders.

## CORPORATE GOVERNANCE (CONTINUED)

On 29th October 2004, the Company made an announcement to disclose its application to the Stock Exchange for a waiver from strict compliance with the requirements of Rule 3.24 of the Listing Rules (the "Listing Rules") of the Stock Exchange. Thereafter, the Company has invited Mr. Au Yiu Kwan Alvin (a member of the Institute of Chartered Accountants in England and Wales) to assist its qualified accountant to start his works. After then, the waiver was granted by the Stock Exchange on 28th June 2005 with a validity term of three years commencing from 28th June 2005.

With the Code on Corporate Governance Practices set out in Appendix 14 to Listing Rules ("the Code on Corporate Governance Practices") coming into effect from 1st January 2005, the Company has further improved its level of corporate governance. The Board is of opinion that during the reporting period, the Company has fully complied with the stipulations of the Code on Corporate Governance Practices.

## DOCUMENTS AVAILABLE FOR INSPECTION

1. The interim report signed by the Chairman of the Company.
2. Address: Office of the Secretary to the Board at No. 30, Gangtie Road, Dadukou District, Chongqing

Tel: 6884 5030 / 6884 2582

Fax: 6884 6070 / 6884 9520

By order of the Board

**Tang Min Wei**  
*Chairman*

Chongqing, China  
1st September 2005