

CHAIRMAN'S STATEMENT



I am pleased to submit the Annual Report of Angang New Steel Company Limited (the "Company") for the year ended 31st December, 2000 and extend my regards to all the shareholders of the Company on behalf of the Board.

OPERATIONAL RESULTS FOR 2000

The Company recorded net profit of Rmb491,395,000 under International Accounting Standards for the year ended 31st December, 2000, representing an increase of 66.34%, as compared with the previous year, and basic earnings per share were Rmb0.188.

In accordance with PRC Accounting Standards, the Company recorded net profit of Rmb489,749,000 for the year ended 31st December, 2000, representing an increase of 68.15%, as compared with the previous year, and weighted average earnings per share were Rmb0.187.

PROFIT APPROPRIATION

In accordance with PRC regulations, the Company transferred Rmb48,975,000 (being 10% of the net profit of Rmb489,749,000 for 2000 under PRC Accounting Standards) to each of the statutory surplus reserve and the statutory public welfare fund. The undistributed profit at the beginning of 2000 was Rmb585,032,000 and the distributable profit as at 31st December, 2000 was Rmb976,831,000. The Board recommends the profit appropriation for 2000 to be Rmb0.09 in cash per share on the basis of 2,917,943,331 shares as recorded as at 31st December, 2000. Dividend for domestically-listed Renminbi ordinary shares is tax inclusive. This proposal is subject to the approval at the Company's annual general meeting for 2000.

BUSINESS REVIEW

In 2000, the iron and steel market in the PRC has recovered and the price of steel products increased. The overall prices of the Company's steel products have increased by 8.57% as compared with 1999, which helped to improve the Company's profitability during the year. The Company made various efforts to enhance its sales and marketing, reduce costs, strengthen science and technology development, improve its product mix and increase product quality. All these efforts contributed to the steady increase in the Company's efficiency.

1. Production of major products

In 2000, the Company produced 3,562,000 tonnes of steel products, representing an increase of 21.45%, as compared with 1999, of which cold rolled sheets accounted for 1,060,000 tonnes, representing an increase of 5.31% from 1999; wire rods accounted for 946,000 tonnes, representing the same level of that in 1999; thick plates accounted for 797,000 tonnes, representing an increase of 28.8% from 1999; the Large Section Plant produced 759,000 tonnes of steel. In addition, the Steel Smelting Plant produced 1,847,000 tonnes for the period from April to December, 2000.

2. Marketing activities

Responding to better macroeconomic environment and increased domestic market demand for steel products in 2000, the Company adjusted its sales and marketing strategies and strengthened market analysis and planning. It also formulated flexible marketing strategies to sustain existing clients and develop new markets. In addition to further maintaining the main sale channels and network, the Company focused on participating in tenders of the State's western development and other major State projects. The Company formulated a marketing strategy for the western region on the tenders of road, irrigation, railway, heat supply, and oil and natural gas projects. In 2000, the Company succeeded in securing the following tenders which were the State's focused projects: water pipelines in Dalian, Qinchuan railway, Daqing, Three Gorges, San Men Xia, Xinchang route, Shuo Huang route, Xi Kang route, wind power station in Xinjiang and Shen Mu to Yan'an route.

In 2000, the Company sold 3,515,000 tonnes of steel products which resulted in a production to sales ratio of 98.7%.

3. Strengthening of the Company's product mix and product development in order to increase economic efficiency

The Company formulated a specific plan for developing high-efficiency products and made it a part of the economic responsibility system. A development group was established for this purpose. These measures have not only increased the variety of the Company's products but have also achieved economic efficiency.

4. Gradual improvement in product mix by testing, developing and marketing new products

In 2000, the Company made efforts to conduct research, testing and promotion of new steel products in order to enhance its product mix. There were 16 new products developed in 2000 and this resulted in considerable economic efficiency.

5. International certifications

In June, 2000, the Company was officially presented "ISO14001 Environmental Management System Certification" and "UKAS Certification" upon examination by independent experts. The Company is the first large enterprise in Liaoning Province to be awarded such accreditations. The Company thus obtained a "green pass card" for its products both domestically and internationally. The Company's corporate image has been well established.

PROSPECTS FOR 2001

The Board consider that there are advantages and disadvantages of external environment for the development of the Company in 2001. One of the beneficial factors is that the State is expected to continue to adopt a positive financial policy and a steady monetary policy to encourage investment, especially in western China development, which may further trigger consumption. In view of this situation, the steel market will be further improved. Moreover, the State is expected to continue implementing total volume control and to close "five-small" enterprises. This would lead to stable steel prices in the PRC. From an internal perspective, the Company has many advantages. First, the Company is a domestically and overseas listed company, and is well-known in both the PRC and overseas. Second, technology renovation projects will be completed gradually and will bring new economic growth to the Company. Third, the Company has a rational financial structure and high potential for further development. Fourth, the standard of management, technological equipment and production technology has been enhanced, thus reinforcing market competitiveness of the Company. As to the disadvantages, first, the Company will face

challenges from international market competition after China's anticipated accession to the World Trade Organisation (the "WTO"). Second, competition within the industry will be more fierce in the PRC, and third, the oversupply of iron steel products in the PRC is expected to continue.

In 2001, the measures for the production and operations of the Company are as follows:

1. To be market-oriented, to strengthen sales and marketing management, to develop more markets and to maintain the stability of the main sales channels. In particular, in line with the State's development strategy in western China, the Company will use its best efforts to develop the western China market. Export will also be enhanced so as to provide the Company's production and operation with a good environment in order to achieve a 100% production-to-sales ratio.
2. To implement a comprehensive central management system so as to ensure stable and efficient production.
3. To rely on science and technology, to strengthen technological innovation, and to focus on types, quality and efficiency of its product development.
4. To further enhance corporate internal reforms and to establish a new human resources incentive system.
5. To carry out "management sample projects" so as to strengthen corporate management and to achieve in full innovative management.

Liu Jie
Chairman

Anshan City, the PRC
20th March, 2001