

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report and the audited financial statements of the Company for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company is a large steel product manufacturing enterprise in the PRC. It is principally engaged in the production and sale of billets, wire rods, thick plates, cold rolled sheets, heavy rails, pipe billets and large steel products. The Company's products are sold domestically in the PRC and are also exported to the United States, South Korea, Japan, the Philippines, Europe and in Southeast Asia.

A geographical analysis of the Company's turnover is set out on page 45 of this report. All of the Company's business operations are conducted in the PRC.

Profit Appropriation Proposal for 2000 and Estimate for 2001 Profit Appropriation

In accordance with PRC regulations, the Company transferred Rmb48,975,000 (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.

The Company proposes to appropriate profit in 2001. The ratio of the net profit of 2000 to be distributed as dividend is not less than 40%. The undistributed profit as at 31st December, 2000 will not be distributed as dividend for the next year. The appropriation will be mainly in form of cash dividend. The actual distribution method will be subject to the Company's situation at the time. This proposal is subject to the approval at the Company's annual general meeting for 2000.

PROFIT DISTRIBUTION FOR THE REPORTING PERIOD

There was no profit distribution during the reporting period from 1st January, 2000 to 31st December, 2000.

The Board recommends a final dividend in respect of year 2000 of Rmb0.09 in cash per share. A dividend for domestically-listed Renminbi ordinary shares is tax inclusive. The proposal is subject to approval at the Company' forthcoming annual general meeting. Subject to approval at this annual general meeting, the dividend will be payable to the holders of H shares of the Company whose names appear on the Register of members of the Company before the closing date of such register, being 17th April, 2001.

SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31st December, 2000, interests in the Company's issued share capital held by directors, supervisors and senior management were as follows:

Name	Position	Number of shares held as at 1st January, 2000 (share)	Change for the year (share)	Number of shares held as at 31st December, 2000 (share)
LIU Jie	Chairman		5,000	5,000
CAI Denglou	Vice Chairman		0	0
YANG Hua	Vice Chairman		0	0
YAO Lin	Director, GM		5,000	5,000
WANG Baolin	Director		5,000	5,000
LI Zhongwu	Director, Deputy GM		0	0
ZHANG Lifen	Director, Deputy GM		0	0
LU Xianliang	Director, Deputy GM		5,000	5,000
FU Jihui	Director, Deputy GM		5,000	5,000
YU Wanyuan	Non-executive Director		0	0
YANG Tianjun	Independent Non-executive Director		0	0
HO Ying	Independent Non-executive Director		0	0
Venantius Tan	Independent Non-executive Director		0	0
QI Cong	Chairman of the Supervisory Committee	0	0	
ZHOU Fa	Supervisor & Chairman of the Labour Union of the Company		5,000	5,000
JIN Zuoyong	Supervisor		5,000	5,000
Total			35,000	35,000

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

The total remuneration and bonus paid to directors and supervisors of the Company in 2000 amounted to Rmb716,134 and Rmb210,000 respectively (excluding the retirement scheme contributions). In respect of the total remuneration paid to directors, Rmb20,000 was allocated to non-executive directors and Rmb62,800 was allocated to independent non-executive directors.

In 2000, the five highest paid individuals of the Company were all directors of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

In 2000, the cost of raw materials purchased from the Company's five largest suppliers represented 87.44% of the Company's total purchases for 2000, of which purchases from the largest supplier represented 86.13% of the Company's total purchases. The sales to the Company's five largest customers in aggregate represented 27.47% of the Company's total turnover for the year.

Angang Holding, the Company's holding company, is the Company's largest supplier of raw materials. None of the directors, supervisors, their associates or any shareholders who, to the knowledge of the Board, hold more than 5% of the shares of the Company has interests in the suppliers or customers mentioned above during the year.

CODE OF BEST PRACTICE

To the knowledge of the Board, the Company had throughout the year complied with paragraphs 1 to 14 of the Code of Best Practice, as set out by the Stock Exchange in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the executive directors and supervisors of the Company has entered into a service contract with the Company for an initial term of 3 years commencing from 8th May, 2000. The newly elected directors and supervisors hold the same tenure as that of the other members of the Board and the Supervisory Committee. No director or supervisor has entered into any service contract with the Company which may not be terminated by the Company within one year without compensation other than statutory compensation.

PURCHASE, SALE AND REDEMPTION OF LISTED SHARES

During the year ended 31st December, 2000, there was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

In accordance with the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year, none of the directors or supervisors of the Company had any interests in the contracts to which the Company or any of its subsidiaries was a party.

TRUST DEPOSIT

As at 31st December, 2000, the Company did not have any trust deposits placed with any financial institutions in the PRC and did not encounter any difficulties in making withdrawals of the Company's deposits with banks.

FIXED ASSETS

Movements in the fixed assets during the year are set out on pages 52 to 53 and page 89 of this report.

CONVERTIBLE DEBENTURE

Details of the convertible debentures are set out on pages 56 to 57 and page 93 of this report.

RESERVES

Movements in the reserves during the year are set out on pages 58 to 59 and page 94 of this report.

STATUTORY PUBLIC WELFARE FUND

Details of the statutory public welfare fund in terms of its nature, application, movement and basis of calculation (including the percentage used and amount of profits for calculation) are set out on pages 58 to 59 and page 94 of this report.

EMPLOYEE RETIREMENT SCHEME

Details of employee retirement scheme are set out on pages 64 and 101 of this report.

CONNECTED TRANSACTIONS

Details of connected transactions for the year are set out on pages 62 to 64 and pages 98 to 100 of this report. The independent board committee of the Company has confirmed that (i) all the connected transactions entered into by the Company during 2000, in relation to recurring business transactions, have been entered into in the ordinary and usual course of its business, either on normal commercial terms or on terms that are fair and reasonable so far as the shareholders are concerned; and (ii) the value of each category of connected transactions has not exceeded the respective prescribed cap as stated in the Company's H Share prospectus issued on 15th July, 1997.

FOUR YEAR SUMMARY

A summary of the results and of the asset and liabilities of the company is set out on page 69 of this report.

PRACTICE NOTE 19

The Company did not advance any money to any entity which accounted for over 25% of the Company's net assets, nor provide any financial assistance and guarantees to any of its subsidiaries which accounted for over 25% of the Company's net assets. The Company's controlling shareholder, Angang Holding, did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor make any loan agreements imposing specific obligations on the controlling shareholder.

AUDITORS

KPMG (Certified Public Accountants in Hong Kong) and KPMG Peat Marwick Huazhen (Registered Accountants in the PRC) were appointed as the Company's international and domestic auditors respectively in 2000. A resolution for the re-appointment of KPMG and KPMG Peat Marwick Huazhen as the Company's international and domestic auditors respectively for the year 2001 will be proposed at the forthcoming annual general meeting to be held on 16th May, 2001.

WORKING REPORT OF THE BOARD

1. On 10th April, 2000, the Company convened the eleventh meeting of the first Board at Angang Dongshan Hotel, 108 Dong Fong Street, Tie Dong District, Anshan City, Liaoning Province, the PRC. During the meeting, resolutions regarding the following were considered and approved:
 - a. the 1999 working report of the Board;
 - b. the 1999 annual report and its summary;
 - c. the 1999 audited financial statements of the Company;
 - d. the profit distribution plan of the Company for 1999;
 - e. the remuneration of the directors and the supervisors of the Company for 1999;
 - f. the re-appointment of the Company's international and domestic auditors for 2000 and the authorisation to the directors to determine the auditors' remuneration;
 - g. the appointment of Central Clearing (Registrars) Company Limited to issue and seal the Company's new shares from 1st April, 1999 to 29th February, 2000. The share number is from 45587 to 46279; and
 - h. the resolution of the election of members of the Company's second Board.

The announcement of the above-mentioned meeting was issued in China Securities Journal and Securities Times in the PRC, and Hong Kong iMail and Hong Kong Economic Times in Hong Kong on 11th April, 2000.

2. On 1st June, 2000, the Company held its first meeting of the second Board at Angang Dong Shan Hotel, 108 Dong Fong Street, Tie Dong District, Anshan City, Liaoning Province, the PRC, at which the resolutions regarding the following were considered and approved:
 - a. the election of Mr. Liu Jie as the Chairman of the Company's second Board;
 - b. the election of Mr. Yang Baoxing as the Vice Chairman of the Company's second Board;
 - c. the election of Mr. Tang Fuping as the Vice Chairman of the Company's second Board; and
 - d. the election of Mr. Fu Jihui as the Board Secretary for the Company's second Board.

The announcement of the above-mentioned meeting was issued in China Securities Journal and Securities Times in the PRC, and Hong Kong iMail and Hong Kong Economic Times in Hong Kong on 2nd June, 2000.

3. On 16th August, 2000, the Company held its second meeting of the second Board at Angang Dong Shan Hotel, 108 Dong Fong Street, Tie Dong District, Anshan City, Liaoning Province, the PRC, at which resolutions regarding the following were considered and approved:
 - a. the Company's interim report for 2000;
 - b. the Company's interim profit distribution proposal for 2000; no distribution of interim profit was declared and no transfer from the Company's common reserves to its share capital was made during the period;
 - c. acceptance of the resignation of Mr. Yang Baoxing as Director of the Company;
 - d. acceptance of the resignation of Mr. Tang Fuping as Director and General Manager of the Company;
 - e. appointment of Mr. Yao Lin as General Manager of the Company;
 - f. appointment of Mr. Li Zhongwu, Madam Zhang Lifen, Mr. Fu Jihui, Mr. Lu Xianliang and Mr. Fu Wei as Deputy General Managers of the Company; and

- g. appointment of Mr. Cai Denglou, Mr. Yang Hua, Mr. Li Zhongwu and Madame Zhang Lifen as Executive Directors of the Company and submission of such matters to the next general meeting for approval.

The announcement of the above-mentioned meeting was issued in China Securities Journal and Securities Times in the PRC, and Hong Kong iMail and Hong Kong Economic Times in Hong Kong on 17th August, 2000.

4. On 9th November, 2000, the Company convened its third meeting of the second Board at Angang Dong Shan Hotel, 108 Dong Fong Street, Tie Dong District, Anshan City, Liaoning Province, the PRC, at which resolutions regarding the following were considered and approved:
 - a. appointment of Mr. Cai Denglou and Mr. Yang Hua as the Company's Vice Chairman; and
 - b. adjustment of the consolidated depreciation rate of the Company's fixed assets.

The announcement of the above-mentioned meeting was issued in China Securities Journal and Securities Times in the PRC, and Hong Kong iMail and Hong Kong Economic Times in Hong Kong on 10th November, 2000.

5. Execution of resolutions passed at general meetings by the Board

During the period, the Board has executed all the resolutions passed at the general meetings.

On behalf of the Board
Liu Jie
Chairman

20th March, 2001