

# REVIEW OF SIGNIFICANT EVENTS

## 1. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the year.

## 2. PURCHASE AND SALE OF ASSETS OF THE COMPANY

On 30th March, 2000, the Company convened an extraordinary general meeting, at which the acquisition of the new converter, land and current assets from Angang Holding at Rmb409,000,000 was considered and approved. The Company thus has a modern, all converter and all continuous Casting Steel Plant with an annual production capacity of 2,600,000 tonnes of steel. This has laid a foundation for the Company's further development. The acquisition was completed on 1st April, 2000.

## 3. MATERIAL CONNECTED TRANSACTIONS

In 2000, the Company purchased most of the raw materials, energy and utilities necessary for its production operations from Angang Holding, and sold part of its products to Angang Holding which are needed for its technological transformation and equipment maintenance. The modes of transaction and prices were in compliance with agreements of the supply of materials and services entered into by the parties.

Major items provided by Angang Holding to the Company were as follows:

Items	Quantity	Price (Rmb/unit)	Amount (Rmb'000)
Billets			
Billets for wire rods	888,085 tonnes	1,503	1,334,758
Billets for large sections	751,629 tonnes	1,740	1,307,548
Slabs	465,393 tonnes	1,626	756,835
Hot rolled coils	1,165,995 tonnes	2,176	2,536,724
Molten iron	824,019 tonnes	980	807,539
Scrap steel	122,977 tonnes	909	111,736
Lime	21,619,825 tonnes	0.63	13,610
Water for industrial use	80,782,000 tonnes	0.29	23,426
Recycled water			
Soft water	730,500 tonnes	3.16	2,305
Mixed gas	4,763,944 GJ	18.02	85,830

Nitrogen	101,707,000 M3	0.08	8,345
Oxygen	114,486,172 M3	0.41	46,506
Argon	1,579,000 M3	1.41	2,225
Hydrogen	4,223,000 M3	2.51	10,593
Compressed air	185,689,650 M3	0.05	10,043
Steam	933,850 GJ	30.53	28,506
Transportation service	-	-	44,957
Export agency	-	-	8,112
Testing and analysis of products	-	-	8,203

The products sold by the Company to Angang Holding were as follows:-

Items	Quantity (Tonne)	Price (Rmb/unit)	Amount (Rmb'000)
Cold rolled sheets	19,405	3,160	61,327
Thick plates	24,384	2,297	56,021
Wire rods	26,585	2,009	53,428
Large sections	361,332	1,805	652,412
Scrap steel	215,246	929	200,020
Processing	1,038,848	404	419,813

In 2000, the gross profit margin of the pipe billets sold by the Company to Angang Holding was 9.15%.

The Independent Board Committee, which is not associated with Angang Holding, confirmed that the above connected transactions were (i) conducted in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the terms of the Services Agreement.

Save as the aforesaid connected transactions, there was no material contract entered into between the Company and its controlling shareholder in 2000.

**4. THE COMPANY AND ITS CONTROLLING SHAREHOLDER, ANGANG HOLDING, HAVE MAINTAINED EMPLOYEE INDEPENDENCE, ASSET INTEGRITY AND FINANCIAL INDEPENDENCE.**

5. **DURING THE REPORTING PERIOD, THE COMPANY DID NOT ENTRUST, SUBCONTRACT OR LEASE ANY ASSETS OF ANY OTHER COMPANY AND ANY OTHER COMPANY DID NOT ENTRUST, SUBCONTRACT OR LEASE ANY ASSETS OF THE COMPANY.**
  
6. **IMPACT OF "NOTICE REGARDING THE RELEVANT FINANCIAL ARRANGEMENT ARISING FROM CORPORATE HOUSING REFORM" ISSUED BY THE MINISTRY OF FINANCE**

In accordance with the provisions in "Notice of strengthening urban housing reform and housing construction" issued by the State Council (Guo Fa [1998] no. 23) and "Notice of the guidelines for the capitalization of corporate housing distribution in Anshan" issued by Anshan Municipal Government (An Zheng Fa [1999] no. 66), the Company is revising the housing policy on the basis of its actual situation. The final decision will be reached upon concrete and comprehensive consideration. In 2000, the Company did not make any decision in this regard. Therefore, the regulation did not have any impact on the Company's 2000 results.

7. **INFORMATION OF 鞍鋼集團新鋼鐵有限責任公司 (ANGANG NEW STEEL AND IRON COMPANY LIMITED) ("ANSI")**

On 28th December, 2000, ANSI was incorporated. Most of the Company's connected transactions in 2001 will be in connection with ANSI instead of Angang Holding. The controlling shareholder of the Company, Angang Holding, remains unchanged.

ANSI has been jointly set up by Angang Holding, 中國華融資產管理公司 (China Huarong Assets Management Company Limited) and 中國信達資產管理公司 (China Xinda Assets Management Company Limited) .

The registered capital of ANSI is Rmb17,867 billion in which Angang Holding has a shareholding of Rmb11.5 billion, representing 64.37%; 中國華融資產管理公司 (China Huarong Assets Management Company Limited) Rmb5 billion, representing 27.98% and 中國信達資產管理公司 (China Xinda Assets Management Company Limited) Rmb1.3 billion, representing 7.65%.

## **8. SUBSEQUENT EVENTS**

On 8th February, 2001, the Company entered into a preliminary joint venture agreement of constructing galvanized production line with Thyssen Stahl AG (蒂森克虜伯鋼鐵公司) of Germany at Shangri-la Hotel in Dalian, Liaoning, the PRC.

In accordance with the agreement, both parties will each contribute US\$30 million as the registered capital for the joint venture. The joint venture will establish a galvanized production line with annual production capacity of 400,000 tonnes at Dalian Economic Development Zone. This production line will adopt internationally advanced technology and management methods to produce and sell products which will be of international standards. The main products include plate for automobile industry (including plates for sedans) and some high-end plates for home appliance, which will substitute imported products. The joint venture has good prospects. This initial agreement and the subsequent establishment of the joint venture are subject to the approval of the State Ministry of Foreign Trade and Economic Co-operation.