

Report of the Directors

1. PRINCIPAL ACTIVITIES AND OPERATIONS OF THE COMPANY

The Company is one of the top ten iron and steel manufacturing enterprises in the metallurgical industry of the PRC.

The Company is principally engaged in the manufacturing and sale of iron and steel products. The production process mainly comprises coking, sintering, iron smelting, steel smelting and steel rolling. The Company's principal steel products can be divided into four principal categories: wire rods, steel sections, medium or thick steel plates and train wheels and tyres, which are of different types, specifications and versatility. 90% of these products are sold in the domestic market. The Company is also engaged in sale of a small volume of pig iron, steel billets and coking by-products.

For the year ended 31 December 2000, the Company and its subsidiaries produced 3,970,000 tonnes of pig iron, 3,920,000 tonnes of steel, 3,560,000 tonnes of steel products, representing a 7.8% increase, a 10.5% increase and a 14.2% increase over the previous year respectively. The steel products production to sales ratio was 100.5%. Sales of the Group for 2000 amounted to RMB8,185.69 million, representing a 22.8% increase over the previous year. Under the PRC accounting standards, profit from principal operating activities amounted to RMB1,191.75 million, representing an increase of 97.9% over the previous year. Net profit was RMB176.03 million, representing a 12.4 folds increase over the previous year. Under the Hong Kong accounting standards, gross profit amounted to RMB1,220.84 million, representing a 94.1% increase over the previous year. Net profit amounted to RMB102.3 million, a 6.8 folds increase over the previous year.

In 2000, under the State directives of "volume control, corporate restructuring and efficiency enhancement", the Company stepped up its restructuring and launched various kinds of work focusing on "comprehensive innovation". The operations and economic efficiency of the Company was enhanced, thus improving its operations and results, increasing the production level of iron to a level in excess of the production level of steel and creating a change in production mix of iron, steel and steel products and establishing a new production equilibrium. Product cost continued to decline while market share, production-to-sales ratio and turnover rate of receivables from sales of goods further improved.

The Company made great efforts in restructuring production methods, developing new products, enhancing product mix, improving product quality and market competitiveness. As a result, the Company's production volume of technologically advanced high value-added products increased by 28%, also, approximately 220,000 tonnes of new products were produced. During the year, several modification projects, including No. 3 steel making factory's molten iron pre-treatment, the 2,500m³ blast furnace's residual pressure power generation scheme; heat & electricity supply plant's expansion of its No. 1 machinery assembly and ball-shaped iron ore production phase two were all completed and put into production.

In 2000, the Company's technical and economic indicators showed further improvement with significant drop in energy and material consumption. Coking ratio in the iron smelting process was reduced to 402kg/ton, a reduction of 17kg/ton from last year. Iron and steel consumption was 1,104kg/ton, a reduction of 32kg/ton from last year. Composite energy consumption amount of standard coal for each tonne of steel products produced was 986kg, a reduction of 67kg from last year. Continuous casting ratio of smelting steel was 87.04%, an increase of 7.14% from last year. Composite product yield rose 3.96 percentage points to 92.14%. At the same time, financial operation index improved. Funds collection rate reached 100.5%. Cash collection rate increased 13.3 percentage points to 92.3%. Asset liabilities ratio, current ratio, quick ratio and financial expenses have all improved over prior year. Turnover periods for current assets were shortened by 91 days over the prior year. Production costs dropped by 6% over the previous year. The operation efficiency of the enterprise had progressively improved.

2. FINANCIAL SUMMARY

Consolidated results

(1) Prepared under PRC accounting standards

	Year ended 31 December				
	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>	1998 <i>RMB'000</i>	1997 <i>RMB'000</i>	1996 <i>RMB'000</i>
Turnover	8,185,687	6,668,436	6,429,425	6,646,860	6,780,405
Profit before provision for overdue deposits	197,087	13,381	7,894	72,497	95,283
Provision for overdue deposits	-	-	(175,000)	-	-
Profit/(loss) before tax	197,087	13,381	(167,106)	72,497	95,283
Tax	21,056	269	835	10,875	14,118
Profit/(loss) after tax	176,031	13,112	(167,941)	61,622	81,165

(2) Prepared under Hong Kong accounting standards

	Year ended 31 December				
	2000	1999	1998	1997	1996
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	8,185,687	6,668,436	6,429,425	6,646,860	6,780,405
Profit/(loss) before tax	123,357	13,381	(167,106)	72,497	95,283
Tax	21,056	269	835	10,875	14,118
Net profit/(loss) from ordinary activities attributable to shareholders	102,301	13,112	(167,941)	61,622	81,165

The consolidated results of the Group for the year ended 1996, 1997, 1998, 1999 and 2000 have been extracted from the audited financial statements of the Group.

Consolidated assets and liabilities

(1) Prepared under PRC accounting standards

	As at 31 December				
	2000	1999	1998	1997	1996
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	16,857,270	17,299,627	17,805,165	17,892,607	17,954,604
Total liabilities	4,969,285	5,437,695	5,956,345	5,875,845	5,999,464
	11,887,985	11,861,932	11,848,820	12,016,762	11,955,140

Note: Deferred credit amounting to RMB1,373,630,913 was not included as liabilities in preparation of the above consolidated assets and liabilities statement.

(2) Prepared under Hong Kong accounting standards

	As at 31 December				
	2000	1999	1998	1997	1996
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	16,880,680	17,300,227	17,805,376	17,892,607	17,958,713
Total liabilities	5,045,552	5,438,295	5,956,556	5,875,845	6,003,573
	11,835,128	11,861,932	11,848,820	12,016,762	11,955,140

The statements of net assets of the Group as at 31 December 1996, 1997, 1998, 1999 and 2000 have been extracted from the audited financial statements of the Group.

3. FINANCIAL SITUATION OF THE COMPANY

Under the PRC accounting standards, total assets of the Group amounted to RMB16,857.27 million, representing a 2.6% decrease over prior year. Long term liabilities amounted to RMB1,143.05 million, representing a decrease of 17.5% over prior year, as a result of decrease in long term bank loans. Shareholders' equity amounted to RMB11,887.98 million, representing an increase of 0.2% over prior year, as a result of increase in net profit. Profit from principal operating activities amounted to RMB1,191.75 million, representing an increase of 97.9% over last year, as a result of increase in sales. Net profit amounted to RMB176.03 million, representing a 12.4 folds increase, as a result of increase in sales and decrease in production cost.

4. INVESTMENT OF THE COMPANY

(1) Use of proceeds from share issues

A total amount of RMB6,497,570,000 of the proceeds had been utilised as at 31 December 1999, all of which had been applied as disclosed in the A Shares and H Shares prospectus.

(2) Other investments

In 2000, the Company spent approximately RMB600 million mainly for technology modification projects including No. 1 steel-making plant electric arc furnace; No. 4 iron making plant's TRT; No. 3 steel making plant's pre-treatment of its molten iron and its gas recycling scheme; and heat & electricity supply plant's modification of its high gas boiler.

5. BUSINESS DEVELOPMENT PLAN FOR 2001

2001 is the first year of China's Tenth Five Year Plan. China will expand its strategies; continue to implement positive fiscal policy and prudent monetary policy; gather all macro-economic policy for application. The PRC government stressed the development in western China and decided to speed up the development of central and western China. Infrastructure is the foundation of such development and it will create a favourable market environment and opportunities for further gradual development of iron and steel enterprises. However, excessive supply over demand still exists in domestic iron and steel market. In addition, China's iron and steel industry will experience direct international competition after China's entry into the World Trade Organisation (WTO). It is expected that there will be more challenges than opportunities in the short run, resulting in keen competition in the iron and steel market. Accordingly, the Group will adopt the following concrete measures in 2001:

- (1) To continue adjustment of product mix and production technology, actively develop new products, facilitate the organisation and implementation of technological renovation projects so that these projects can be put into production and achieve their normal production capacity and efficiency as soon as possible, continue to develop and increase highly profitable products in line with the market demand.
- (2) To continue to improve technology and economic indicators, reduce energy and material consumption and cut operating costs; to ensure that the main indicators achieved, including coking ratio in the iron smelting process, iron and steel consumption ratio, composite energy consumption for each tonne of steel, continuous casting ratio of smelting steel and composite product yield, are fulfilling their potential; and to reduce production cost.
- (3) To intensify market analyses, forecasts and research, to expand sales channels and to enhance export.
- (4) To vigorously implement economic responsibility system, to perfect capital, resources and quality management; to deepen the reform over distribution, incentive and monitoring systems.

Major new projects and construction in progress of the Group in 2001:

Items	Progress in Year 2001
(a) No. 1 steel-making plant electric arc furnace	Completed and operation commenced
(b) Billet continuous casting machines of No. 1 steel-making plant	Completed and operation commenced
(c) Modification of train wheel rolling system	Equipment ordered and construction started

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|-----|--|--|
| (d) | Coke dry quenching project | Equipment ordered
and construction
started |
| (e) | No. 3 steel-making plant's gas recycling scheme | Completed
and operation
commenced |
| (f) | High gas boiler of heat & electricity supply plant | Completed and
operation
commenced |
| (g) | New ball-shaped iron-ore
productoin lines | Basically completed |

The source of finance was mainly from internally generated funds and loans from financial institutions.

6. DAILY WORK OF THE BOARD OF DIRECTORS

- (1) Five board meetings were convened in 2000. The main contents of the meetings and resolutions were as follows:
- A. On 23 February 2000, preliminary review of operation and financial position of the Company for 1999 were carried out. The Company's 2000 financial budget and 2000 investment budget for fixed assets were approved.
- B. On 27 April 2000, the board of directors discussed and approved the 1999 annual report and heard the report of the audit committee. It passed the profit distribution proposal and report of the Directors for 1999. Resolution to convene the annual general meeting and agenda of annual general meeting were passed. Ball-shaped iron ore production phase two was approved. On 28 April 2000, summary of annual results announcement was published. On 14 May 2000, the notice of annual general meeting was published.
- C. On 28 June 2000, the board of directors approved No. 3 steel making factory's molten iron pre-treatment. The board of directors studied the documents issued by the China Securities Regulatory Commission and demanded the Company, the directors and supervisors to comply with relevant regulations and of standard practice.
- D. On 24 August 2000, the board of directors discussed and approved the 2000 interim report. The board of directors approved to set up the steel billet continuous casting project, the technological renovation project of tyre rolling system and dry coking equipment and accessories project. The board of directors decided to reorganize the Company's sales branches outside Maanshan. On 25 August 2000, interim results were published.
- E. On 5 December 2000, the board of directors approved the establishment of certain branches.

The above announcements were published in Shanghai Securities Journal, Hong Kong South China Morning Post and Hong Kong Wen Wei Po.

- (2) The board of directors' implementation of resolutions proposed at the annual general meeting:

The board of directors fully implemented the resolutions passed at the annual general meeting.

7. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF OF THE COMPANY

(1) Directors, supervisors and senior management

Directors:

Mr. Gu Jianguo, aged 48, has been the Director and the Deputy General Manager of the Company since September 1993. He has acted as the Vice Chairman and General Manager of the Company since July 1995, and has acted as the General Manager of Magang Holding and the Chairman of the Company in June 1997 and July 1997, respectively. In September 1998, Magang Holding became Magang (Group) Holding Company Limited and Mr. Gu was appointed the General Manager of Magang (Group) Holding Company Limited. He ceased to be General Manager of the Company effective from September 1999.

Mr. Gu Zhanggen, aged 54, was previously the Supervisor of the Supervisory Committee of the Company and the Chairman of the labour union of the Company. Since June 1997, he has acted as the Secretary of the Party Committee of Magang Holding and the Company, and the Deputy General Manager of Magang Holding. He has acted as the Vice Chairman and the Director of the Company since September 1997. In September 1998, Magang Holding was transformed into Magang (Group) Holding Company Limited and Mr. Gu was appointed the Secretary of the Party Committee and Deputy General Manager of Magang (Group) Holding Company Limited.

Mr. Zhu Changqiu, aged 55, was Deputy General Manager of the Company from June 1997. Mr. Zhu has been the Director and General Manager of the Company since September 1999.

Mr. Zhu Yunlong, aged 60, has been, since September 1993, the Director and Deputy General Manager of the Company. He has also been the Chief Engineer of the Company since June 1997.

Mr. Shi Zhaogui, aged 56, has been, since September 1993, the Director and Deputy General Manager of the Company and from September 1999, he ceased to be Deputy General Manager of the Company and has become Deputy General Manager of Magang (Group) Holding Company Limited.

Mr. Wang Rangmin, aged 58, is currently the Deputy General Manager of Magang (Group) Holding Company Limited. Since September 1997, he has held the post of the Director of the Company.

Mr. Zhao Jianming, aged 47, was the Deputy General Manager of the Company and the Secretary of the Party Committee of the Company in June 1997. Since September 1997, he has acted as the Director of the Company. He also holds the office of the Secretary of the Party Committee of Magang (Group) Holding Company Limited. From September 1999, he ceased to be Deputy General Manager of the Company.

Mr. Su Jiangang, aged 46, has been the Secretary of the Board of Directors of the Company since September 1993. He was appointed as the Deputy Chief Economist, Chief Economist and the Director of the Company in November 1995, June 1997 and September 1997, respectively. From September 1999, he has been Deputy General Manager of the Company.

Mr. Gao Haijian, aged 44, was Deputy General Manager of the Company from June 1997. He has been the Director of the Company from September 1999.

Mr. Dong Yuanchi, aged 55, is the Principal of Anhui Industrial University, previously known as China East Metallurgical College. Mr. Dong has been an independent Director of the Company from September 1999.

Madam Cheng Shaosiu, aged 58, is Chief Accountant and Manager of Accounting and Finance Department of International Trust Investment Company in Anhui Province. She has been an independent Director of the Company from September 1999.

Mr. Wu Junlian, aged 35, was previously an officer of 君匯律師事務所 in Maanshan city Anhui province. He is currently a lawyer of 上海市中建律師事務所. He has been an independent Director of the Company from September 1999.

Supervisors:

Mr. Gao Shenghai, aged 60, has been the Chairman of the Supervisory Committee of the Company since September 1993.

Mr Li Kezhan, aged 53, has been the Secretary of the Party Committee and the Chairman of the labour union of the Company in June 1997. He was appointed as the Supervisor of the Company in September 1997. He is also the Secretary of the Party Committee and the Chairman of labour union of Magang (Group) Holding Company Limited.

Mr. Zha Quanliang, aged 53, is currently working as a sub-Party secretary and a technician in No. 1 Steel Making Factory. He has been the Supervisor of the Company since September 1993.

Mr. Jin Guang, aged 49, was previously Vice-chairman of Industrial and Commercial Bank of China, Anhui provincial branch. He is currently the General Manager of China Hua Rong Assets Management Company, Hefei office. He has been the Supervisor of the Company from September 1999.

Mr. Wang Xiao Xin, aged 45, was previously General Manager of International Business Department of Construction Bank of China, Anhui provincial branch. He is currently vice-chairman of China Construction Bank, Anhui provincial branch. He has been the Supervisor of the Company from September, 1999.

Mr. Che Dayu, aged 42, is Vice-Chairman of the Bank of China, Anhui provincial branch. He has been the Supervisor of the Company from September, 1999.

Senior Management:

Mr. Wang Dapeng, aged 59, was appointed the Secretary to the Board of Directors and the Officer of the Board of Directors of the Company in September 1993. In July 1997, he was appointed the Assistant to the General Manager of the Company.

(2) Interests of the Company's directors, supervisors and senior management:

Directors', supervisors' and senior management's interests and salaries:

Name	Position	Age	Gender	No. of shares of the Company held at the end of the year (A shares) 2000	No. of shares of the Company held at the end of the year (A shares) 1999	Annual Remuneration RMB
Gu Jianguo	Chairman	48	Male	2,900	2,900	120,000
Gu Zhanggen	Vice-chairman	54	Male	2,900	2,900	120,000
Zhu Changqiu	Director, General Manager	55	Male	-	-	120,000
Zhu Yunlong	Director, Deputy General Manager, Chief Engineer	60	Male	2,900	2,900	96,000
Shi Zhaogui	Director	56	Male	2,900	2,900	Nil
Wang Rangmin	Director	58	Male	-	-	Nil
Zhao Jianming	Director	47	Male	-	-	Nil
Su Jiangang	Director, Deputy General Manager, Company Secretary and Chief Economist	46	Male	2,900	2,900	96,000
Gao Haijian	Director,	44	Male	-	-	96,000

	Deputy General Manager					
Dong Yuanchi	Independent Director	55	Male	-	-	5,000
Cheng Shaosiu	Independent Director	58	Female	-	-	5,000
Wu Junlian	Independent Director	35	Male	-	-	5,000
Gao Shenghai	Chairman of Supervisory Committee	60	Male	2,500	2,500	96,000
Li Kezhan	Supervisor	53	Male	-	-	96,000
Zha Quanliang	Supervisor	53	Male	4,000	4,000	26,135
Jin Guang	Supervisor	49	Male	-	-	5,000
Wang Xiao Xin	Supervisor	45	Male	-	-	5,000
Che Dayu	Supervisor	42	Male	-	-	5,000
Wang Dapeng	Company Secretary	59	Male	2,900	2,900	72,000

Note: In accordance with “馬鞍山市國有企業經營者年薪制施行辦法” issued by Maanshan Municipal Government, the senior management of the Company has adopted annual salary system. Annual salary will be paid after annual audit. Therefore, the emoluments for the directors and supervisors for 2000 are estimated figures.

It is forecasted that the annual salary is tax inclusive. When the directors and supervisors receive their annual salaries, they should pay individual income tax at the statutory rate and pay 50% of the income after tax as risk deposit.

In January 2001, the directors and supervisors received their annual salaries for 1999 of a total of RMB672,582. After deduction of the individual income tax and risk from pledging, they received a total of RMB302,841.

Save as disclosed above, as at 31 December 2000, no other interests or right in share capital of the Company or any of its associated corporations as defined by the Securities (Disclosure of Interests) Ordinance held by Directors, Supervisors or their associates were recorded in the register required to be kept under Section 29 of that Ordinance. In addition, no other right to subscribe for any equity or debt securities of the Company has been granted to any Director or Supervisor or Chief Executive or the spouse or children under 18 years of age of any such Director or Supervisor or Chief Executive.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or supervisor or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company, its subsidiaries, Holding or any of the subsidiaries of Holding a party to any arrangements to enable the Directors and Supervisors of the Company to acquire such rights in any other body corporate.

The term of office for all directors, supervisors and senior management is from 1 September 1999 to 31 August 2002.

(3) Staff of the Company

As at the end of 2000, the Group had a total of 44,454 employees, of which 38,098 were production workers, 316 were sales representatives, 2,259 were technicians, 332 were financial staff and 3,449 were executives. There were 2,938 staff who had relevant qualifications, of which 4,878 graduated from colleges, 8,429 from junior colleges, 11,260 from high schools and 16,949 from junior high schools or below. There were a total of 20,984 retirees.

8. RESULTS, DIVIDENDS AND PROFIT DISTRIBUTION PROPOSAL

The Board of Directors recommends payment of final dividend of RMB0.02 (tax inclusive) per share, thereby absorbing RMB129,106,000 for the year 2000. During the reporting period, the Company did not increase share capital via the transfer from capital reserve.

- (1) After audited by the international and domestic auditors, profit after tax of the Company amounted to RMB173,006,000 under the PRC accounting standards; RMB99,275,000 under Hong Kong accounting standards from 1 January 2000 to 31 December 2000.
- (2) According to the Articles of Association of the Company, the statutory surplus reserve and public welfare fund provided at 10% of the Company's profit after tax prepared under PRC accounting standards were both amounted to RMB17,300,000.
- (3) After the transfer to the two above-mentioned funds and together with the Company's retained profit at the end of 1999, total distributable profit of the Company for 2000 is RMB305,950,000 and RMB253,096,000 under the PRC and Hong Kong accounting standards respectively.
- (4) According to the Articles of Association of the Company, the Company's distribution of profit after tax for the year is the lower of the amount prepared under the PRC and Hong Kong accounting standards. Therefore, the profit available for distribution is RMB253,096,000. It is recommended to declare dividend of RMB0.02 (tax inclusive) per share for 2000, totalling RMB129,106,000. The remaining undistributed profit will be carried forward to 2001.

The above resolution is subject to approval at the annual general meeting held on 26 June 2001.

9. FORECAST PROFIT DISTRIBUTION POLICY FOR 2001

If the Company has satisfactory operation and earnings, there will be one distribution of profit after tax for 2001. The proportion of dividend distribution to net profit for 2001 will not be less than 50%. The proportion of current year's retained earnings used for next year's dividend distribution will not be less than 20%. The dividend distribution will be in cash.

10. THE COMPANY'S SELECTED NEWSPAPERS FOR INFORMATION DISCLOSURE

The Company selected the following newspapers for information disclosure: Shanghai Securities Journal, Hong Kong South China Morning Post and Hong Kong Wen Wei Po.

11. MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2000, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in 2000. The five largest customers of the Group accounted for less than 30% of the Group's total sales in 2000.

Being one of the aforesaid major suppliers, Magang (Group) Holding Company Limited is the holding company of the Company. Save as the Company's holding company, as at 31 December 2000, none of the Directors or Supervisors, their associates, shareholders (to the knowledge of the Board of Directors holding 5% or more of the shares of the Company) held any beneficial interest among the five largest suppliers or customers of the Group.

12. PERCENTAGE OF TURNOVER BY GEOGRAPHICAL AREAS

	2000 (%)	1999 (%)
Anhui	36	27
Shanghai	10	9
Jiangsu	14	23
Zhejiang	10	14
Other provinces in China	22	23
Exports	8	4
Total	100	100

The Group is solely engaged in iron and steel making, accordingly, turnover by principal activity is not appropriate.

13. CONNECTED TRANSACTIONS

Details are set out in "Connected transactions" under paragraph no. 6 of section headed "Significant Matters".

14. COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with "The Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout 2000.

15. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Board of Directors and Supervisory Committee were elected at the Extraordinary General Meeting held on 31 August 1999 with a term of office of three years commencing from 1 September 1999. Directors and Supervisors so elected entered into service contracts with the Company with the same term of office of three years.

None of the Directors has any service contract with the Company which is not terminable by the Company within one year without payment other than statutory compensation.

16. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2000, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

17. PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company and the Laws of the PRC, no pre-emptive right requiring the Company to offer new shares to the existing shareholders in proportion to their shareholders exists.

18. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Emoluments of directors and supervisors and the five highest paid individuals

	Group 2000 (Estimated) RMB	1999 RMB
Directors' fees	30,000	7,500
Salaries and allowances	197,823	266,080
Performance-related bonuses	668,312	-
Compensation on retirement	-	-
Total	896,135	273,580

In addition to the above, the Company paid in accordance with the retirement benefits scheme arranged with Maanshan Municipal Government, a retirement contribution of RMB38,393 (1999: RMB55,877) which is calculated at 21% of the remuneration of the directors and supervisors for the year.

Included above are directors' fees paid to independent directors for 2000 amounting to RMB15,000 (1999: RMB7,500). No other emoluments were paid to the independent directors during the years 1999 and 2000.

The analysis of the directors' and supervisors' emoluments are as follows:

	Number of Directors and Supervisors	
	2000	1999
Below HK\$1,000,000	18	18

Emoluments of the five highest paid individuals

In 1999, the five highest paid individuals included four directors and one supervisor, whose emoluments have been included in the directors' and supervisors' emoluments stated above.

In 2000, the five highest paid individuals were all directors whose emoluments have been included in the directors' emoluments stated above.

19. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year, none of the Directors or Supervisors had material interests in any contract to which the Company, its subsidiaries, the Holding or any of the subsidiaries of the Holding was a party during the year.

20. PENSION SCHEME

Details of the pension scheme are set out in Note 4 (i) and Note 30 to the financial statements prepared under Hong Kong accounting standards. The pension fund contribution of the Group included in the profit and loss accounts for the year ended 31 December 2000 are as follows:

	RMB'000	RMB'000
Contribution to pension scheme	150,394	156,868
Provision for pension obligations payable to early retired employees	221,000	-
	371,394	156,868

21. FIXED ASSETS

Details of movements in fixed assets of the Company and the Group for the year ended 31 December 2000 are set out in Note V point 9 and Note 13 to the financial statements prepared under the PRC accountings standards and Hong Kong accounting standards, respectively.

22. SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2000 are set out in Note IV and Note 15 to the financial statements prepared under PRC accounting standards and Hong Kong accounting standards, respectively.

23. RESERVES

Details of the movements in the various reverses of the Company and the Group for the year ended 31 December 2000 are set out in Note V point 22, 23 and 24 to the financial statements prepared under PRC accounting standards and Note 26 under Hong Kong accounting standards.

24. DISTRIBUTABLE RESERVES

Details of the Company's reserves available for distribution at 31 December 2000 are set out in Note V point 23 and 24 to the financial statements prepared under PRC accounting standards and Note 26 under Hong Kong accounting standards. In addition, the Company's share premium account, in the amount of RMB3,491,345,000, may be distributed in the form of fully paid bonus shares.

25. CAPITALISATION OF INTEREST

During the year ended 31 December 2000, interest expenses of RMB4,410,000 (1999: RMB65,370,000) were capitalised as construction in progress of the Group.

26. LOANS AND OTHER BORROWINGS

Details of the bank loans of the Company and the Group as at 31 December 2000 are set out in Notes V point 13, 18 and 19 to the financial statements prepared under PRC accounting standards and Note 24 to the financial statements prepared under Hong Kong accounting standards.

27. AUDITORS

The Group's financial statements prepared under PRC accounting standards and Hong Kong accounting standards have been audited by Ernst & Young Hua Ming and Ernst & Young, respectively. They are due to retire and being eligible, offer themselves for reappointment.

28. SHARE CAPITAL

There is no movement in share capital of the Company during the year. Details of the Company's share capital are set out in Note 25 to the financial statements prepared under Hong Kong accounting standards.

During the year ended 31 December 2000, the Company did not issue any convertible securities, options, warrants or similar rights.

29. POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in Note IX to the financial statements prepared under PRC accounting standards.

30. AUDIT COMMITTEE

Pursuant to the Listing Rules, the Board of Directors has established an audit committee (the "Committee") on 1 September 1999. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. During the year, the Committee convened two meetings and reviewed the 1999 annual accounts and 2000 interim accounts.

On Behalf of the Board of Directors

Chairman

Gu Jianguo
18 April 2001