

VI. Review of Significant Events

1. Appropriation Plan

The Company has resolved not to declare any interim dividend and not to make any transfer from the Company's surplus reserves to share capital during the six months ended 30 June 2001.

2. The Company's appropriation plan, transfer from surplus reserves to share capital and their implementation status in the first half of the year

The Company held its 2000 Annual General Meeting in Anshan on 16 May 2001, at which the profit appropriation plan for 2000 was passed. It was resolved that Rmb0.9 in cash per 10 shares be paid, in which the dividends for domestic listed Renminbi ordinary shares are tax inclusive. On 11 June 2001, the Company paid cash dividends to holders of H shares at the exchange rate of HK\$100 to Rmb106.126, being the average of the basic exchange rate from Renminbi to Hong Kong dollar as announced by Bank of China one calendar week preceding the holding of the annual general meeting. The cash dividend actually paid to holders of H shares is HK\$0.0848 per share. On 22 June 2001, the Company paid cash dividend to holders of domestic listed A shares and State-owned legal person shares. As at the registration date of 21 June 2001, the Company had 741,019,984 listed A shares and 1,319,000,000 State-owned legal person shares and cash dividend totalling Rmb185,401,798.56 were paid to holders of domestic listed A shares and State-owned legal person shares. The distribution of cash dividend of the Company for 2000 totalled approximately Rmb265,490,000.

3. Deferred Tax Asset

The Company made an application to the Ministry of Finance for the approval of continuous recognition of water and electricity use right, which was injected by Angang Holding on 8 May 1997, as intangible asset in accordance with the "Enterprise Accounting Regulations" which has become effective since 1 January 2001. If the application is not accepted, the Company should write off the relevant deferred tax asset in the accounts prepared under IAS. For details, please refer to the interim financial report (note 4 to the interim financial report prepared under IAS and note 8 to the interim financial report prepared under the PRC Accounting Standards).

4. Material Litigation or Arbitration

The Company was not involved in any material litigation or arbitration of material importance during the six months ended 30 June 2001.

5. The establishment of ANSI and its impact on the Company

On 28 December 2000, ANSI was jointly set up by three companies, namely Angang Holding, the Company's holding company, China Huarong Assets Management Company Limited ("China Huarong") and China Xinda Assets Management Company Limited ("China Xinda"). The investment in ANSI by China Huarong and China Xinda were

fulfilled by swap of debt for shares. The investment in ANSI by Angang Holding was fulfilled by the contribution of its certain production enterprises. The registered share capital of ANSI is Rmb17.8 billion, of which 64.61% or Rmb11.5 billion are held by Angang Holding; 28.09% or Rmb5 billion are held by China Huarong; and 7.30% or Rmb1.3 billion are held by China Xinda.

6. Material Connected Transactions

Since 1 January 2001, the Company had purchased from Angang Holding and/or ANSI certain raw materials, ancillary materials utilities and support services necessary for its production operations, and sold certain finished and semi-finished products to Angang Holding and/or ANSI which were needed for their technological transformation and equipment maintenance. The nature and pricing of these transactions are based on the Supply of Materials and Services Agreement dated 8 May 1997 (as amended by the Supplemental Supply of Materials and Services Agreement dated 20 March 1999) between Angang Holding and the Company.

The Company, Angang Holding and ANSI propose to enter into a supplemental agreement (the "Supplemental Agreement") which will be supplemental to the Supply of Materials and Services Agreement dated 8 May 1997 (as amended by the Supplemental Supply of Materials and Services Agreement dated 20 March 1999), whereby the parties will agree, inter alia, that the Company shall provide certain finished and semi-finished products to Angang Holding and ANSI. Further, pursuant to the Supplemental Agreement, additional ancillary materials, utilities and finished products will be provided by ANSI to the Company.

These transactions between ANSI and the Company constitute connected transactions for the Company for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has made an application to the Stock Exchange for a waiver from strict compliance with the announcement/approval of the independent shareholders requirement as required under Chapter 14 of the Listing Rules in respect of these transactions.

Major items provided by Angang Holding and/or ANSI to the Company were as follows:

Items	Quantity	Price (Rmb/unit)	Amount (Rmb)
Billets	390,811 tonnes	1,530	598,104,556
Slabs	151,435 tonnes	1,661	251,470,313
Hot rolled coils	604,968 tonnes	2,104	1,272,638,154
Molten iron	1,005,713 tonnes	1,057	1,063,002,075
Scrap steel	85,829 tonnes	988	84,779,032
Refractory materials	4,151 tonnes	2,294	9,521,767
Water for industrial use	10,052,118 tonnes	0.66	6,668,548
Recycled water	37,387,262 tonnes	0.29	10,956,381
Soft water	442,200 tonnes	3.67	1,621,080
Mixed gas	2,976,585GJ	17.37	51,694,331

Nitrogen	67,753,000M3	0.08	5,420,240
Oxygen	65,595,868M3	0.40	26,270,315
Argon	1,231,000M3	1.40	1,723,400
Hydrogen	2,208,000M3	2.50	5,529,960
Compressed air	121,067,721M3	0.06	7,429,068
Steam	627,227GJ	30.00	18,817,080
Transportation service	-	-	21,659,208
Export agency	-	-	1,354,199
Testing and analysis of products	-	-	6,912,593

Major items provided by the Company to Angang Holding and/or ANSI were as follows:-

Items	Quantity	Price (Rmb/unit)	Amount (Rmb)
Cold rolled sheets	170.56 tonnes	3,056	521,309
Thick plates	3,607.40 tonnes	2,722	9,818,867
Wire rods	6,363.07 tonnes	2,107	13,408,908
Pipe billets	184,998.05 tonnes	1,877	347,223,763
Scrap steel	125,704.53 tonnes	981	123,383,664
Processing	62,853.21 tonnes	512	32,169,110

7. The Company and its holding company, Angang Holding, are independent in terms of personnel, assets and financial arrangement.

8. The Company did not enter into any trust arrangement, contract or lease with other companies in terms of its assets, nor other companies entered into any trust arrangement, contract or lease with the Company in terms of their assets.

b The fulfilment of disclosed commitment by the Company or its shareholders with 5% or more shareholding:

None of the Company or its shareholders with 5% or more shareholding disclosed their commitment in designated newspapers and web sites.

10. On 8 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 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 import 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. The agreement was submitted to the State Ministry of Foreign Trade and Economic Co-operation for

approval.

11. Appointment, Change and Termination of Appointment of Auditors

KPMG (Certified Public Accountants in Hong Kong) and KPMG Peat Marwick Huazhen (Registered Accountants in the PRC) were appointed at the 2000 annual general meeting of the Company held on 16 May 2001 as the Company's international and domestic auditors respectively for the year 2001.

12. During the reporting period, the Company did not act as a guarantor or mortgagee of any contracts.

13. During the reporting period, the Company did not change its name or its stock abbreviation.

14. Staff Quarters

During the six months ended 30 June 2001, the Company did not purchase or sell staff quarters to its staff.

15. Purchase, Sale or Redemption of Listed Shares of the Company

During the six months ended 30 June 2001, there was no purchase, sale or redemption of the Company's listed shares by the Company.

16. Trust Deposits

As at 30 June 2001, the Company did not have any trust deposits with any non-banking financial institutions in the PRC. The Company did not encounter any difficulties in making withdrawals from the Company's deposits with banks.

17. Code of Best Practice

To the best knowledge of the Board, the Company had complied with the requirements of the Code of Best Practice, as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2001.