

VI. Review of Significant Events

1) Review of corporate governance

In accordance with The Guiding Opinion Regarding The Establishment Of Independent Director System For Publicly Listed Companies, the Company revised its articles of association, the Rules of Proceeding for General Meetings, the Rules of Proceeding for Board Meetings and the Rules of Proceeding for Supervisory Meetings, and an independent director system was established. Currently two independent directors have been appointed. The Company will appoint an independent director with professional accounting qualification in the near future. In accordance with the requirements of the Code of Corporate Governance For Listed Companies issued by the China Securities Regulatory Commission, the Company's 2001 annual general meeting approved the resolution for the establishment of four special committees including strategy, audit, nomination, remuneration and appraisal. Upon the appointment of an independent director with professional accounting qualification, the Company will set up the above four special committees. The Company has complied with the corporate governance requirements set by the China Securities Regulatory Commission.

2) Interim profit appropriation plan and proposal to transfer

Board does not recommend the payment of any interim dividends in respect of the six months ended 30 June 2002. In addition, no surplus reserves will be transferred into the share capital of the Company.

3) Implementation of profit distribution proposal

On 15 May 2002, the Company convened its 2001 annual general meeting in Anshan, at which 2001 profit appropriation plan was discussed and approved. It was resolved to distribute a cash dividend of Rmb0.8 per 10 shares, of which the dividend for domestic-listed Renminbi ordinary share was inclusive of tax. On 10 July 2002, the Company distributed cash dividend to holders of H shares. The applicable exchange rate was based on the average of the basic exchange rate of Renminbi and Hong Kong dollar announced by the Bank of China one week prior to the holding of the annual general meeting, being HK\$100 to Rmb106.128. The cash dividend actually paid to holders of H shares is HK\$0.0753 per share. On 4 July 2002, the Company distributed cash dividend to the holders of A shares and state-owned legal person shares. As at 3 July 2002, there were 750,830,941 A shares listed and 1,319,000,000 state-owned legal person shares; the Company distributed Rmb165,586,475.28 in aggregate to the holders of domestic listed A shares and state-owned legal person shares. The cash dividend for 2001 was Rmb236,710,277.04.

4) Material litigation and arbitration

The Group was not involved in any material litigation or arbitration during the six months ended 30 June 2002.

5) Material purchase, sale and redemption of assets

The Group was not involved in any material purchase, sale and redemption of assets during the six months ended 30 June 2002.

6) Material connected transactions during the six months ended 30 June 2002

For the six months ended 30 June 2002, the Company purchased most of the raw materials, energy and utilities necessary for its production operations from Angang Holding and Angang New Steel and Iron Company Limited (“ANSI”), a subsidiary of Angang Holding, and sold to Angang Holding and ANSI part of its products which were required for their technological development and equipment maintenance. The execution of the transactions and the prices were in compliance with the agreement for the supply of materials and services agreements entered into by the parties.

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

Items	Price	Amount (Rmb'000)	As a percentage
			of the amount for same type of transaction (%)
Billets	1,480/tonne	377,128	100
Slabs	1,634/tonne	196,996	92.28
Hot rolled coils	1,992/tonne	1,537,057	100
Molten iron	1,060/tonne	1,334,599	100
Scrap steel	974/tonne	129,484	100
Lime	397/tonne	32,733	100
Retractory Materials	1,716/tonne	9,272	10
Water for industrial use	0.63/tonne	7,577	100
Recycled water	0.32/tonne	11,301	100
Soft water	3.48/tonne	1,660	100
Mixed gas	17.23/GJ	70,255	100
Nitrogen	0.07/m ³	4,549	100
Oxygen	0.40/m ³	30,868	100
Argon	1.00/m ³	1,358	100
Hydrogen	2.50/m ³	6,455	100
Compressed air	0.07/m ³	8,271	100
Steam	30.0/GJ	12,913	100
Railway transportation		10,743	100
Road transportation		6,682	54.86
Testing and analysis of products		5,011	54.32
Repair and maintenance of equipment		6,927	8.26
Design and engineering		4,000	53.20
Heat supply to staff quarters		1,795	44.92

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

Items	Price	Amount <i>(Rmb'000)</i>	As a percentage
			of the amount of same type of transaction <i>(%)</i>
Billets	2,007/tonne	31,147	52.50
Slabs	1,575/tonne	149,871	96.45
Thick plates	2,407/tonne	18,631	1.65
Wire rods	1,904/tonne	13,376	1.68
Large steel products	2,418/tonne	1,591	0.19
Pipe billets	1,885/tonne	326,138	100
Scrap steel	923/tonne	105,002	66.46

There were no changes in terms of transaction price, method and settlement arrangement in relation to the above-mentioned connected transactions.

7) Material Contracts and their Performance

1) The Group did not enter into any trust, contractual or lease arrangement during the six months ended 30 June 2002.

2) The Group also did not provide any material guarantees during the six months ended 30 June 2002.

3) The Group did not entrust the management of any of its assets during the six months ended 30 June 2002.

8) For the six months ended 30 June 2002, neither the Company nor shareholders holding 5% or more of the Company's issued share capital had made any commitment which may have material impact on the Company's operating results and financial position. No such commitments have been made in the past which continue to be effective until the six months ended 30 June 2002.

9) Purchase of staff quarters

For the six months ended 30 June 2002, neither the Company nor its jointly controlled entities purchased staff quarters or sold quarters to any of its staff.

10) Purchase, sale or redemption of the Company's listed shares

No purchase, sale or redemption of the listed shares of the Company was made by the Company during the six months ended 30 June 2002.

11) Code of Best Practice

The Board believes that the Company has complied with paragraphs 1-14 of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange of Hong Kong Limited for the six months ended 30 June 2002.

12) The Audit Committee and the Board of the Company had reviewed the relevant accounting principles, accounting standards and methods, and discussed matters relating to the audit, internal control and financial statements, including the unaudited interim report of the Company for the six months ended 30 June 2002.