

OTHER DISCLOSABLE EVENTS

DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2002 (2001: nil).

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) showed that the Company had been notified of the following interests in the Company’s issued share capital:

Name of shareholder	Class of shares held	Number of shares held <i>(in thousand shares)</i>	Percentage to total issued share capital <i>(%)</i>
Chongqing Iron & Steel			
Company (Group) Limited	State-owned share	650,000	61.09
HKSCC Nominees Limited	H share	403,236	37.90

DIRECTORS’ AND SUPERVISORS’ INTERESTS

As at 30 June 2002, the interests of the directors and supervisors in the shares of Hengda, as recorded in the register maintained under Section 29 of the SDI Ordinance were as follows:

Name	Personal Interests
Pan Xiang Yu	1,600
Chen Shan	800
Yuan Xue Bing	800

Save as disclosed above, none of the directors, supervisors or their associates had any interest in the shares of the Company or its associated corporations as at 30 June 2002.

During the period, none of the directors or supervisors or their spouses or children under 18 years of age has been granted by the Company the rights to subscribe for the Company’s shares.

DIRECTORS' AND SUPERVISORS' INTERESTS (Cont'd)

No contracts of significance in relation to the Company's business to which the Company, its subsidiary, its fellow subsidiaries or its holding company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

At no time during the period was the Company, its subsidiary, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CHANGE OF SENIOR MANAGEMENT

Due to increased work commitments, Mr. Chiu Chi Cheong resigned as an independent non-executive director and the chairman of the Audit Committee of the Company on 12 July 2002. The Company would like to express its sincere thanks to Mr. Chiu Chi Cheong for his endeavours during his tenure of service.

Mr. Wang Xiang Fei was appointed as an independent non-executive director and chairman of the Audit Committee of the Company for a tenure of three years on the same day.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period, the Company did not redeem any of its shares. Neither the Company nor its subsidiary purchased or sold any of the Company's shares during the period.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30 June 2002, the Company did not hold any designated deposits with any financial institutions in the PRC, nor had it failed to collect any time deposits upon maturity during the period.

FOREIGN EXCHANGE RISK

During the period, the Group had no foreign currency borrowings or deposits. Accordingly, there was no foreign exchange risk for the Group.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has pledged certain of its fixed assets as security for bank loans. As at 30 June 2002, the net book value of the Group's pledged fixed assets amounted to Rmb312,413,000 (31 December 2001: Rmb321,689,000).

As at 30 June 2002, the Group had no contingent liabilities (31 December 2001: nil).

MATERIAL LITIGATION

During the period, the Group was not involved in any litigation or arbitration of material importance.

PLEDGE OF SHARES BY THE HOLDING COMPANY

On 18 January 1999, the Company published an announcement in respect of the pledge by the Holding Company of 650,000,000 State-owned shares of Rmb1 each in the Company (the "Pledged Shares") to a bank in the PRC (the "Bank") on 13 October 1998 as the security for repayment obligations of the Company in respect of loans up to a maximum principal amount of Rmb650,000,000 granted to the Company by the Bank during the period from 12 October 1998 to 12 October 2003. The Pledged Shares represent all of the Holding Company's equity interests in the Company and represent 61.09% of the issued share capital of the Company.

The above pledge has not been released as at 30 June 2002.

SALE OF STAFF QUARTERS

During the period, the Group had not sold any quarters to its employees, nor had it incurred any expenses as a result of the Holding Company's sale of quarters to the Group's employees.

HUMAN RESOURCES

As at 30 June 2002, the Group had 12,181 employees, including 10,452 production operators, 879 technical staff and 850 management staff.

The Group's remunerations system is linked to working efficiency. The staff remunerations were based on the evaluation and appraisal of the job responsibilities, technical skill requirements, work load, working environment and contributions. The staff costs of the Group amounted to Rmb174,070,000 for the period.

The Group's most valuable assets are its highly-skilled staff. The Group has always placed emphasis on staff training and their knowledge upgrade such as training of "multi-function", "major task", "job qualifications" and "technological training" for production operators; training of "new workmanship", "new technology" and "new materials" for technical staff; training of "equipment", "safety", "quality", "environmental protection" for management personnel. The Group will select well-performing staff to further their master's degree studies offered by tertiary institutes and attend study visits to other industry players. The Group also encourages its employees to enrol self training courses. During the period, the Group had trained 4,872 staff, representing 39.19% of total staff.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information reasonably indicating that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at anytime during the period.

AUDIT COMMITTEE

On 8 April 2002, an audit committee meeting was held to review various matters, including the Company's 2001 annual report, internal control report, connected transactions for 2001 and the assessment of the auditors' work for 2001.

On 21 August 2002, an audit committee meeting was held to review various matters, including the Company's 2002 interim accounts, interim report and connected transactions.

DOCUMENTS AVAILABLE FOR INSPECTION

The original copy of the interim report signed by the Chairman.

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By order of the Board

Tang Min Wei

Chairman

Chongqing, PRC

22 August 2002