

# Report of the Directors

The Board is pleased to present this annual report and the audited financial statements for the year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The Company is a large scale steel producer based in the PRC. It is principally engaged in the production and sale of billets, wire rods, thick plates, cold rolled sheets, galvanized steel sheet, colour coating plates and large steel products. The domestic market share of cold rolled sheets, thick plates, wire rods and large steel products are 18.4%, 4.5%, 2% and 30%, respectively.

The segmental information of principal operating revenue and profit from the principal operations of the Company by products for the reporting period (in accordance with PRC Accounting Rules and Regulations):

*Unit: Rmb'000*

Products	Income from principal activities		Business tax and surcharges of principal activities	Profit from principal activities	Gross profit margin (%)	Percentage change of income from principal activities compared with previous year	Percentage change of cost of principal activities compared with previous year	Percentage change of profit from principal activities compared with previous year	Gross profit margin (%)
	principal activities	Cost of principal activities	principal activities	principal activities	profit margin (%)	Increase (+) /decrease (-) (%)	Increase (+) /decrease (-) (%)	Increase (+) /decrease (-) (%)	Increase (+) /decrease (-) (%)
Cold rolled sheets	6,233,339	5,515,117	17,314	700,908	11.52	44.87	43.73	53.94	6.47
Thick plates	2,768,789	1,964,154	8,485	796,150	29.06	19.91	-4.96	235.11	176.76
Wire rods	1,727,071	1,476,719	2,869	247,483	14.50	4.45	-6.26	229.31	206.55
Large steel products	2,976,174	2,483,080	8,075	485,019	16.57	35.39	45.90	-1.21	-26.62
Steel billets	815,363	744,026	1,845	69,492	8.75	165.03	153.93	408.91	83.82
Including: connected transactions	2,097,280	1,917,106	5,569	174,605	8.59	73.48	75.43	53.96	-10.61

### The pricing policy for connected transactions

Not less than the average of the selling prices between the Company and independent third parties during the previous month.

# Report of the Directors *(Continued)*

## **PRINCIPAL ACTIVITIES** *(continued)*

### **Rationale for connected transactions**

Steel production has the relatively higher continuity. The Company relies on Angang Holding and its subsidiaries for the supply of most of its raw materials and sells part of its products to Angang Holding and its subsidiaries. Therefore, such connected transactions will continue in the future operations of the Company.

*Note:*

1. Increase in income from cold rolled sheet (as a principal operation) over the previous year was mainly due to an increase in sales volume of cold rolled sheet, increase in the proportion of high value-added products and a rise in price of products. In 2003, sale volume of cold rolled sheet increased 17.88% over the previous year; price of cold rolled products increased by 24.98% over the previous year.
2. Increase in costs for cold rolled sheet (as a principal operation) over the previous year was mainly due to an increase in sales volume and purchase prices for raw materials of cold rolled sheet;
3. Increase in gross profit margin of cold rolled sheet over the previous year was mainly due to an increase in price of products and increase in the proportion of high value-added products.
4. The significant increase in gross profit margin of thick plates over the previous year was due to an increase in the proportion of high value-added products for thick plates and a rise in price of thick plate products and higher growth rate of selling price per unit as compared with the growth rate of cost per unit. The product sales settlement price in 2003 increased by 46.17% as compared with the previous year, while the cost of selling per unit increased by 15% as compared with the previous year.
5. The significant increase in profit and gross profit from wire rods (as a principal operation) over the previous year was due to an improvement in products sales structure and an increase in product price and the rate of income per unit being higher than the increase rate of cost per unit. The unit price of products sold in 2003 increased by 29.40%, while selling cost per unit increased by 16.01% over the previous year.
6. The significant increase in income from large steel products (as a principal operation) over last year was due to an increase in sales volume, an increase in the sales ratio of high value-added products and a rise in product price. Sales volume of large steel products increased by 31.37% in 2003 over the previous year, while the product sales settlement order price increased by 4.23% over the previous year.
7. The significant increase in the cost of large steel products (as a principal operation) over last year was due to the increase in sales volume and the rise in the procurement costs of raw materials.
8. The decrease of the gross profit in large steel products over the previous year was due to the increase rate of the unit price of products sold is less than the increase rate of cost per unit. The unit price of products increased by 4.23% over last year, while the cost per unit increased by 12.99% over the previous year.

# Report of the Directors *(Continued)*

## PRINCIPAL ACTIVITIES *(continued)*

Note: *(continued)*

9. The significant increase in income from billet products (as a principal operation) over the previous year was due to an increase of sales volume and the rise in the price of products. The sales volume of billets in 2003 increased by 130.14% over the previous year. The unit price of products increased by 16.42% over the previous year.
10. The increase in the cost of billet products (as a principal operation) was due to the increase in sales volume and the rise in the procurement costs of raw materials.
11. The relatively significant increase in the profit and gross profit of billets products (as a principal operation) was due to the increase in income which was higher than the increase in costs.

All of the Company's business operations are conducted in the PRC.

### Description of the revenue and profit from principal operations of the Company by geographical locations in the year (in accordance with PRC Accounting Rules and Regulations)

Regions	Income from principal operations	Profit from principal operations	Unit: RMB'000	
			Increase/decrease of income from principal operations compared with previous year (%)	Increase/decrease of profit from principal operations compared with previous year (%)
Northeast China	5,970,757	996,117	58.58	90.77
North China	1,148,747	201,560	23.89	80.74
East China	4,314,257	675,091	34.15	103.73
South China	1,682,783	244,043	-12.60	33.70
Central south China	390,275	62,552	20.73	23.17
Northwest China	246,351	43,867	32.24	11.01
Southwest China	120,016	24,376	72.38	130.73
Export sales	647,550	51,446	76.97	91.36
Total	14,520,736	2,299,052	34.81	80.65

### Explanations of the material changes in principal operations or their structure and the profitability of principal operations in the reporting period as compared with the previous reporting period.

The increase in profitability of the Company's principal operations during the year was attributable to the Company's realignment of its product mix, expansion in the proportion of high value-added products and higher the increase in product prices was higher than the increase in product costs.

The price of steel products of the Company increased by 27.11% in 2003 over the previous year, while the product costs increased by 20.86% over the previous year.

# Report of the Directors *(Continued)*

## **PROFIT DISTRIBUTION PROPOSAL FOR THE YEAR**

The Board recommends a distribution of dividend for 2003 of Rmb0.2 (tax inclusive) in cash per share. The proposal is subject to the approval at the Company's annual general meeting for 2003. After approval at the annual general meeting, the dividend will be payable to the holders of H shares of the Company whose names appear on the register of members of the Company at the close of trading on 15 May 2004.

## **PROFIT DISTRIBUTION FOR THE REPORTING PERIOD**

The Company held its annual general meeting for 2002 on 23 May 2003, at which the profit distribution proposal for 2002 was passed. It was resolved that a cash dividend of Rmb1 for every 10 shares be paid. On 11 June 2003, the Company paid cash dividends to its holders of H shares at the applicable exchange rate of HK\$100 to Rmb106.096, being the average basic exchange rate between Renminbi and Hong Kong dollar as announced by the Bank of China for one calendar week preceding the date appointed for the holding of the general meeting. The cash dividend actually paid to holders of H shares is HK\$0.0943 per share. On 11 June 2003, the Company paid cash dividend to holders of domestic listed A shares and State-owned legal person shares. As at the registration date of 10 June 2003, the Company had 752,384,684 listed A shares and 1,319,000,000 State-owned legal person shares. Cash dividends of Rmb1 for every 10 shares were distributed.

# Report of the Directors *(Continued)*

## SHARES HELD BY DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

As at 31 December 2003, interests in the Company's issued share capital held by directors, supervisors and senior management were as follows:

Name	Position	Terms of appointment	Number of shares held as at 1 January 2003 (share)	Change during the year (share)	Number of shares held as at 31 December 2003 (share)
LIU Jie	Chairman of the Board	2003.5-2006.5	5,000	0	5,000
YANG Hua	Vice Chairman	2003.5-2006.5	0	0	0
CAI Denglou	Vice Chairman	2003.5-2006.5	0	0	0
YAO Lin	Director, General Manager	2003.5-2006.5	5,000	0	5,000
LI Zhongwu	Director, Deputy General Manager	2003.5-2006.5	0	0	0
ZHANG Lifen	Director, Deputy General Manager	2003.5-2006.5	0	0	0
FU Jihui	Director, Deputy General Manager	2003.5-2006.5	5,000	0	5,000
FU Wei	Director, Deputy General Manager	2003.5-2006.5	9,000	0	9,000
YU Wanyuan	Non-executive Director	2003.5-2006.5	0	0	0
WANG Linsen	Independent non-executive Director	2003.5-2006.5	0	0	0
YAO Weiting	Independent non-executive Director	2003.5-2006.5	0	0	0
LIU Yongze	Independent non-executive Director	2003.5-2006.5	0	0	0
Francis LI Chak Yan	Independent non-executive Director	2003.5-2006.5	0	0	0
QI Cong	Chairman of the Supervisory Committee	2003.5-2006.5	0	0	0
ZHOU Fa	Supervisor & Chairman of the Labour Union	2003.5-2006.5	5,000	0	5,000
XING Guibin	Supervisor	2003.5-2006.5	0	0	0
MA Lianyong	Chief Accountant	2002.3-present	0	0	0

# Report of the Directors *(Continued)*

## **SHARES HELD BY DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT** *(continued)*

1. Mr. LIU Jie, Chairman of the Board of the Company, has served as the General Manager of Angang Holding, the controlling shareholder of the Company, since December 1994.
2. Mr. Yang Hua, Vice-Chairman of the Board of the Company, has served as the Deputy Secretary to the Party Committee of Angang Holding since December 2001.
3. Mr. CAI Denglou, Vice-Chairman of the Board of the Company, has served as the Deputy General Manager of Angang Holding since January 1999.
4. Mr. YU Wanyuan, Non-executive Director of the Company, has served as the Deputy General Manager of Angang Holding since December 2001.
5. Mr. QI Cong, Chairman of the Supervisory Committee of the Company, has served as a member of the senior management of Angang Holding since November 1998.

## **REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The remuneration of the directors and supervisors was proposed by the Remuneration and Review Committee under the Board. It was considered by the Board and will be approved by the shareholders at the general meeting. The remuneration was determined on the basis of the status of the operations of the Company and of the remuneration paid by similar enterprises in the mainland.

The total remuneration payable to directors, supervisors and senior management of the Company in 2003 was Rmb1,793,000. The total remuneration payable to the three directors with highest remuneration, who are also the members of the senior management, were Rmb466,000. The director's fee payable to Yu Wanyuan, a non-executive Director, was Rmb120,000; the director's fee payable to Wang Linsen, Yao Weiting and Liu Yongze, independent Directors, were Rmb30,000 respectively; the director's fee payable to Liu Yongze, an independent director, was Rmb30,000; the director's fee payable to Francis Li Chak Yan, an independent Director, was HK\$30,000. The number of directors, supervisors and senior management whose remuneration was in the band of Rmb50,000 - 100,000 was 1; whose remuneration was in the band of Rmb100,000 - 120,000 was 2; whose remuneration was in the band of Rmb120,000-140,000 was 6; and whose remuneration was in the band of over Rmb140,000 was 3. In 2003, the five highest paid staff of the Company were Directors of the Company.

# Report of the Directors *(Continued)*

## **RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD**

The Company convened the 2002 annual general meeting on 23 May 2003, at which Messrs. Liu Jie, Yang Hua, Cai Denglou, Yao Lin, Li Zhongwu, Ms. Zhang Lifen, Messrs. Fu Jihui and Fu Wei were elected as executive Directors of the Company, Mr. Yu Wanyuan was elected as non-executive Director of the Company and Messrs. Wang Linsen, Yao Weiting, Liu Yongze and Francis Li Chak Yan were elected as independent Directors of the Company to form the third Board of the Company.

The Company convened the 2002 annual general meeting on 23 May 2003, at which Messrs. Qi Cong, Zhou Fa and Xing Guibin were elected as supervisors of the Company to the third Supervisory Committee of the Company.

## **OPERATIONS AND RESULTS OF THE MAJOR CONTROLLING COMPANY AND INVESTEE COMPANIES**

The establishment of ANSC-TKS Galvanizing Co., Ltd. (the "JVCo"), a company jointly invested and established by the Company and Thyssen Krupp Stahl AG with a registered capital of US\$60 million, was completed in December 2003. The JVCo is engaged in the production of galvanized steel sheets. Each of the investing parties holds 50% equity interest therein. As at 31 December 2003, total assets of the JVCo amounted to Rmb1,248,991,000.

Angang Shenyang Steel Product Processing & Distribution Company Limited (the "Processing Company") (鞍鋼瀋陽鋼材加工配送有限公司), is a company jointly invested and established by the Company, Angang New Steel and Iron Company Limited ("ANSI") and 鞍鋼國貿公司 (Angang International Trading (Group) Company) ("AITG") with a registered capital of Rmb48,000,000. The Company holds a 30% stake therein. The Processing Company is mainly engaged in processing cold-rolled plates and hot-rolled plates. As at 31 December 2003, total assets and shareholders' funds of such company amounted to Rmb64,218,000 and Rmb50,369,000 respectively. For the year 2003, its income from principal operations amounted to Rmb81,053,000 and net profit amounted to Rmb20,000.

## **MAJOR SUPPLIERS AND CUSTOMERS**

The cost of purchase from the Company's five largest suppliers represented 93.04% of the Company's total purchase for the year, of which purchases from the largest supplier represented 90.57% of the Company's total purchases. The sales to the Company's five largest customers in aggregate represented 29.07% of the Company's total turnover for the year and the largest customer accounted for 14.44%.

ANSI is a subsidiary of Angang Holding, the controlling shareholder of the Company and the largest supplier of materials to the Company.

# Report of the Directors *(Continued)*

## THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules since the listing of the Company's shares on the Stock Exchange on 24 July 1997.

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors and supervisors of the Company has entered into a service contract with the Company for an initial term of 3 years commencing from 23 May 2003. The newly elected directors and supervisors hold the same tenure as that of the other members of the Board and the Supervisory Committee. No director or supervisor has entered into any service contract with the Company which may not be terminated by the Company within one year without compensation other than statutory compensation.

## PURCHASE, SALE AND REDEMPTION OF SECURITIES

In 2003, the Company issued 1,434,973 A shares in respect of the conversion of the convertible debentures issued by the Company in March 2000. Other than these A shares issued upon such conversion, there were no other purchase, sale or redemption by the Company or any of its subsidiaries of its securities during the year.

## PRE-EMPTIVE RIGHTS

In accordance with the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

## DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

During the year, none of the directors or supervisors of the Company had any material interests in any contracts in which the Company, or the holding Company or any of its subsidiaries were involved in.

## TRUST DEPOSITS

As at 31 December 2003, the Group did not have any trust deposits placed with any non-banking financial institutions in the PRC and did not encounter any difficulties in making withdrawals of the Group's fixed deposits with banks.

## FIXED ASSETS

Movements in the fixed assets during the year are set out on pages 89 to 90 and pages 137 to 139 of this report.

## CONVERTIBLE DEBENTURES

Details of the convertible debentures are set out on page 100 and page 145 of this report.



# Report of the Directors *(Continued)*

## **RESERVES**

Movements in the reserves during the year are set out on pages 101 to 102 and pages 148 to 149 of this report.

## **STATUTORY PUBLIC WELFARE FUND**

Details of the statutory public welfare fund in terms of its nature, application, movement and basis of calculation (including the percentage used and amount of profits for calculation) are set out on page 102 and pages 148 to 149 of this report.

## **EMPLOYEE RETIREMENT SCHEME**

Details of the employee retirement scheme of the Company are set out on page 110 and page 154 of this report.

## **CONNECTED TRANSACTIONS**

Details of connected transactions for the year are set out on pages 106 to 110 and pages 151 to 153 of this report. The independent non-executive Directors of the Company has confirmed that (i) all connected transactions entered into by the Company during 2003 have been entered into in the ordinary and usual course of business, either on normal commercial terms or on terms that are fair and reasonable so far as the shareholders are concerned; and (ii) the consideration of each of the connected transactions has not exceeded the respective prescribed cap as granted by the Stock Exchange.

## **FIVE-YEAR SUMMARY**

A summary of the results and of the asset and liabilities of the Company for the past five years is set out on page 158 of this report.

## **CHAPTER 13 DISCLOSURE**

The Directors confirmed that there were no matters occurring in 2003 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor make any loan agreements imposing specific obligations on the controlling shareholders.

## **CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS**

The information and impact of the changes in accounting policies and accounting estimates or correction of material accounting errors have been set out on page 72 of this annual report.

## **AUDITORS**

KPMG (Certified Public Accountants in Hong Kong) and KPMG Huazhen (Registered Accountants in the PRC) were appointed as the Company's international and domestic auditors respectively in 2003. A resolution for the reappointment of KPMG and KPMG Huazhen as the Company's international and domestic auditors respectively for the year 2004 will be proposed at the forthcoming annual general meeting to be held on 15 June 2004.

# Report of the Directors *(Continued)*

## **Statement on the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2003**

To the Board of Directors of Angang New Steel Company Limited (the "Company"):

We have accepted the appointment and audited the Company's consolidated balance sheet and balance sheet as at 31 December 2003, and the consolidated income statement and profit appropriation statement, income statement and profit appropriation statement, consolidated cash flow statement and cash flow statement for the year then ended (the "financial statements") in accordance with the China's Independent Auditing Standards of the Certified Public Accountants. We issued an auditors' report with an unqualified audit opinion on these financial statements on 16 April 2004.

Pursuant to the requirements of the "Notice on listed companies' issues relating to regulating the funding transactions with related parties and the guarantees provided to third parties" issued by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council, the Company has prepared the "Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2003" (the "Summary"), which is attached in the appendix to this statement.

The Company is responsible for preparing and disclosing the Summary and ensuring its truthfulness, legitimacy and completeness. We are not aware of any inconsistency, in all material respects, when comparing the information contained in the Summary with the financial information verified in the course of our audit and the related contents in the audited financial statements of the Company for the year ended 31 December 2003. Except for the audit procedures performed in the course of our audit of the financial statements for the year ended 31 December 2003 on the Company's related party transactions, we have not performed any additional audit and other procedures on the information contained in the Summary.

In order to have a better understanding on the use of funds by the Company's controlling shareholder and other related parties for the year ended 31 December 2003, the Summary should be read in conjunction with the audited financial statements.

KPMG Huazhen

Certified Public Accountants  
Registered in the  
People's Republic of China

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**Zheng Gun Fang**

16 April 2004

# Report of the Directors *(Continued)*

Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2003.

Nature of the Use of Funds	Name of related parties	Relationship	Account name	Balance	Increase during the year	Decrease during the year	Balance	Remarks
				at the beginning of the year			at the end of the year	
Borrowings	—	—	—	—	—	—	—	—
Entrusted loans	—	—	—	—	—	—	—	—
Entrusted investments	—	—	—	—	—	—	—	—
Issuing commercial bills without genuine business transactions	—	—	—	—	—	—	—	—
Settlement of liabilities on behalf of related parties	—	—	—	—	—	—	—	—
Others (e.g. payment of expenses on behalf of related parties, accounts receivable and other receivables due from related parties aged over one year)	—	—	—	—	—	—	—	—

This summary was approved by the Board of Directors on 16 April 2004.

## STATEMENT OF INDEPENDENT DIRECTORS

In accordance with the document Zheng Jan Hui Fa [2003] No. 56 "Notice in relation to the issues of the regulation of cash flow between listed companies and connected parties, and external guarantees of listed companies" (the "Notice") as issued by China Securities Regulatory Commission, we are practical and realistic in carrying out cautious and responsible examination on Angang New Steel Company Limited's (the "Company") external guarantee. Details of which are as follows:

1. The Company has been in compliance with the relevant requirements of the Listing Rules since its listing, and has not provided any guarantee to its controlling shareholders and any other connected parties with shareholdings below 50%, or non-legal person units or individuals.
2. The Company has not provided any guarantee for any other companies during the year.
3. As at 31 December 2003, the Company's provision of external guarantees amounted to Rmb540,000,000, accounting for 6.03% of the net assets of the Company and its affiliates as at 31 December 2003.

# Report of the Directors *(Continued)*

## STATEMENT OF INDEPENDENT DIRECTORS *(continued)*

4. As of the date hereof, the Company has not been subjected to any penalty, criticism nor condemnation by the securities regulatory departments in respect of the Company's external guarantees.
5. The Company intends to amend its Articles of Association pursuant to the requirements of the Notice and propose to the 2003 Annual General Meeting for consideration.

## WORKING REPORT OF THE BOARD

1. A meeting of the Board was held on 14 January 2003, at which a resolution was passed to approve the Company's entry into the Land Use Rights Transfer Agreement with Angang Holding.
2. A meeting of the Board was held on 17 February 2003, at which a resolution was passed to approve the proposal for the adjustment of the depreciation rates for the fixed assets of the Company. The new depreciation rates were effective 1 January 2003.
3. A meeting of the Board was held on 17 March 2003, at which a resolution was passed to approve the establishment of the Processing Company jointly by the Company with AITG and ANSI and the signing of the joint venture agreement.
4. The Company convened its twelfth meeting of the second Board on 31 March 2003, at which the following resolutions were considered and approved:
  - (1) the working report of the Board for 2002 was approved;
  - (2) the annual report and its summary for 2002 was approved;
  - (3) the audited financial statements for 2002 was approved;
  - (4) the Company's profit distribution plan for 2002 was approved;
  - (5) the appointment of KPMG and KPMG Huazhen as the Company's international and domestic auditors for 2003 was agreed to be proposed at the annual general meeting for consideration, and the Board was authorized to determine their remuneration; and
  - (6) the resolution regarding the election of members to the third Board was passed.
5. The Company held its thirteenth meeting of the second Board on 24 April 2003 through written resolutions, at which the first quarterly report for 2003 was approved.

# Report of the Directors *(Continued)*

## WORKING REPORT OF THE BOARD *(continued)*

6. The Company held its first meeting of the third Board on 20 June 2003, at which the following resolutions were passed:
  - (1) Mr. Liu Jie was elected as the Chairman of the third Board of the Company;
  - (2) Messrs. Yang Hua and Cai Denglou were elected as Vice Chairman of the third Board of the Company; and
  - (3) Mr. Fu Jihui was elected as Company Secretary of the third Board.
7. The Company held its second meeting of the third Board on 18 August 2003, at which the interim report and its summary for 2003 were approved.
8. The Company held its third meeting of the third Board on 21 October 2003, at which the following resolutions were approved:
  - (1) the signing of the supply of materials and services agreement by the Company with Angang Holding was approved;
  - (2) the convening of an extraordinary general meeting in 2003 on 19 December 2003 for the purpose of considering the above-mentioned resolution.
9. The Company held its fourth meeting of the third Board on 29 October 2003, at which the Company's third quarterly report for 2003 was approved.
10. Execution of the resolutions passed at the general meetings of the Company by the Board

The Company held its annual general meeting for 2002 on 23 May 2003, at which the profit distribution proposal for 2002 was passed. It was resolved that a cash dividend of Rmb1 for every 10 shares be paid. On 11 June 2003, the Company paid cash dividends to its holders of H shares at the applicable exchange rate of HK\$100 to Rmb106.096, being the average basic exchange rate between Renminbi and Hong Kong dollar as announced by the Bank of China for one calendar week preceding the date appointed for the holding of the general meeting. The cash dividend actually paid to holders of H shares is HK\$0.0943 per share. On 11 June 2003, the Company paid cash dividend to holders of domestic listed A shares and State-owned legal person shares. As at the registration date of 10 June 2003, the Company had 752,384,684 listed A shares and 1,319,000,000 State-owned legal person shares. Cash dividends of Rmb1 for every 10 shares were distributed.

On behalf of the Board

**Liu Jie**  
*Chairman*

16 April 2004